

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

**As of September 30, 2008 and December 31, 2007, and
for the nine-month periods ended September 30, 2008 and 2007**



PAMPA ENERGIA S.A.

CONSOLIDATED BALANCE SHEET As of September 30, 2008 and December 31, 2007

(In Argentine Pesos ("Ps.") – unless otherwise stated)

	<u>As of</u> <u>September 30, 2008</u>	<u>As of</u> <u>December 31, 2007</u>
	(Unaudited)	(Audited)
Assets		
Current Assets		
Cash and Banks	87,440,906	187,237,083
Short-term investments	786,535,924	635,595,494
Trade receivables, net	672,715,541	566,527,416
Other receivables, net	196,027,288	96,674,421
Materials and spare parts	22,271,383	25,460,883
Inventories	12,093,066	34,349,752
Other assets	118,398,522	43,010
Total Current Assets	<u>1,895,482,630</u>	<u>1,545,888,059</u>
Non-Current Assets		
Trade receivables	192,916,472	202,764,050
Long-term investments	338,882,055	114,953,438
Other receivables	236,134,028	202,196,080
Materials and spare parts	33,739,644	29,501,822
Inventories	6,007,707	7,555,438
Fixed assets, net	5,277,597,557	5,161,420,296
Intangible assets, net	317,214,570	338,348,633
Other assets, net	141,433,938	158,483,093
Goodwill, net	627,226,227	642,122,255
Total Non- Current Assets	<u>7,171,152,198</u>	<u>6,857,345,105</u>
Total Assets	<u>9,066,634,828</u>	<u>8,403,233,164</u>
Liabilities		
Current Liabilities		
Account Payable	423,127,894	552,813,466
Financial debt	277,830,561	53,634,384
Salaries and social security payable	102,280,232	80,466,852
Taxes payable	148,061,116	127,067,576
Other liabilities	33,084,242	138,432,492
Provisions	47,210,000	39,868,000
Total Current Liabilities	<u>1,031,594,045</u>	<u>992,282,770</u>
Non- Current Liabilities		
Accounts payable	78,575,759	79,992,990
Financial debt	2,138,235,253	1,630,122,071
Salaries and social security payable	46,533,784	29,946,131
Taxes payable	563,387,214	573,394,742
Other liabilities	339,475,531	300,416,872
Provisions	51,124,852	48,428,293
Total Non-Current Liabilities	<u>3,217,332,393</u>	<u>2,662,301,099</u>
Total Liabilities	<u>4,248,926,438</u>	<u>3,654,583,869</u>
Minority Interest	1,545,886,102	1,526,511,612
Shareholders' Equity	<u>3,271,822,288</u>	<u>3,222,137,683</u>
Total Liabilities and Shareholders' Equity	<u>9,066,634,828</u>	<u>8,403,233,164</u>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

PAMPA ENERGIA S.A.

UNAUDITED CONSOLIDATED STATEMENT OF INCOME For the nine-month periods ended September 30, 2008 and 2007

(In Argentine Pesos ("Ps.") – unless otherwise stated)

	For the nine-month periods ended September 30,	
	2008	2007
	(Unaudited)	
Sales	2,948,987,990	716,521,689
Cost of sales	(2,318,245,959)	(557,044,286)
Gross profit	630,742,031	159,477,403
Selling expenses	(99,865,197)	(5,091,833)
Administrative expenses	(185,261,435)	(49,909,981)
Holding results of shares	(5,449,709)	23,877,282
Goodwill amortization	(14,959,219)	(1,985,824)
Operating income	325,206,471	126,367,047
Financial and holdings results		
<i>Generated by assets</i>		
Interest income	28,174,417	49,221,438
Taxes and bank commissions	(4,440,068)	(4,854,256)
Foreign currency exchange difference	10,351,685	51,888,482
Impairment of other assets	(60,806,296)	-
Inventory holding results	4,970,969	-
Result of receivables measured at present value	26,017,441	(3,898,256)
Financial instrument holding result	(3,775,032)	(7,727,339)
Other financial results	(552,966)	1,094,295
<i>Generated by liabilities</i>		
Interest expense	(145,249,050)	(34,270,868)
Foreign currency exchange difference	(6,299,547)	(13,329,118)
Result from repurchase of financial debt	20,425,355	(691,490)
Result of financial debt measured at present value	475,066	(6,991,383)
Commissions and other expenses	(10,103,511)	-
Other financial results	(284,359)	(647,451)
Total financial and holding results, net	(141,095,896)	29,794,054
Other expense, net	(11,494,766)	(4,031,858)
Income before taxes and minority interest in subsidiaries	172,615,809	152,129,243
Income tax and tax on assets	(75,168,799)	(8,741,537)
Minority interest in subsidiaries	(47,930,964)	(26,724,370)
Net income for the period	49,516,046	116,663,336
Earnings per share (Note 3):		
Basic	0.0324	0.1216
Diluted	0.0315	0.1122

The accompanying notes are an integral part of these unaudited consolidated financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
For the nine-month periods ended September 30, 2008 and 2007 (Unaudited)

(In Argentine Pesos ("Ps.") – unless otherwise stated)

	<u>Common Stock</u>		Additional Paid-In Capital	Treasury Stock	Total	Reserve for Directors' options	Legal Reserve	Voluntary Reserve	Retained earnings	Total Shareholders' Equity
	Shares	Amount								
Balance at December 31, 2006 (Audited)	446,000,000	446,000,000	45,000,000	-	491,000,000	2,941,667	-	-	6,059,298	500,000,965
Capital increase – February 2007	600,000,000	600,000,000	689,324,999	-	1,289,324,999	-	-	-	-	1,289,324,999
Setting up of reserves	-	-	-	-	-	-	896,129	5,163,169	(6,059,298)	-
Reserve for Directors' options	-	-	-	-	-	8,825,003	-	-	-	8,825,003
Capital increase – September 2007	480,194,242	480,194,242	773,112,730	-	1,253,306,972	-	-	-	-	1,253,306,972
Net income for the period	-	-	-	-	-	-	-	-	116,663,336	116,663,336
Balance at September 30, 2007	<u>1,526,194,242</u>	<u>1,526,194,242</u>	<u>1,507,437,729</u>	<u>-</u>	<u>3,033,631,971</u>	<u>11,766,670</u>	<u>896,129</u>	<u>5,163,169</u>	<u>116,663,336</u>	<u>3,168,121,275</u>
Distribution of dividends in advance	-	-	-	-	-	-	-	-	(18,314,331)	(18,314,331)
Reserve for Directors' options	-	-	-	-	-	2,941,668	-	-	-	2,941,668
Net income for the three-month period	-	-	-	-	-	-	-	-	69,389,071	69,389,071
Balance at December 31, 2007 (Audited)	<u>1,526,194,242</u>	<u>1,526,194,242</u>	<u>1,507,437,729</u>	<u>-</u>	<u>3,033,631,971</u>	<u>14,708,338</u>	<u>896,129</u>	<u>5,163,169</u>	<u>167,738,076</u>	<u>3,222,137,683</u>
Setting up of reserves	-	-	-	-	-	-	10,012,637	-	(10,012,637)	-
Reserve for Directors' options	-	-	-	-	-	8,825,004	-	-	-	8,825,004
Net income for the period	-	-	-	-	-	-	-	-	49,516,046	49,516,046
Acquisition of Company's own shares	(6,496,218)	(6,496,218)	-	6,496,218	-	-	-	-	(8,656,445)	(8,656,445)
Balance at September 30, 2008	<u>1,519,698,024</u>	<u>1,519,698,024</u>	<u>1,507,437,729</u>	<u>6,496,218</u>	<u>3,033,631,971</u>	<u>23,533,342</u>	<u>10,908,766</u>	<u>5,163,169</u>	<u>198,585,040</u>	<u>3,271,822,288</u>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine-month periods ended September 30, 2008 and 2007
(In Argentine Pesos (“Ps.”) – unless otherwise stated)

	For the nine-month periods ended September 30,	
	2008	2007
	(Unaudited)	
OPERATING ACTIVITIES		
Net income for the period	49,516,046	116,663,336
Income tax and tax on assets	75,168,799	8,741,537
Interests accrued	99,525,195	32,158,817
Adjustments to reconcile net income to cash flows provided by operating activities		
Depreciation of fixed assets	190,680,990	37,511,023
Amortization of intangible assets	17,879,517	13,971,363
Depreciation of other assets	17,049,155	17,049,155
Amortization of goodwill	14,959,219	1,985,824
Reserve for Directors’ options	8,825,004	8,825,003
Setting up of provisions	(13,705,390)	-
Result from repurchase of financial debt	(26,146,264)	691,490
Foreign currency exchange differences and other financial results	54,649,489	6,463,477
Loss (gain) on sale of short-term investments	2,591,552	(13,798,545)
Inventory holding results	(3,763,213)	-
Minority interest in subsidiaries	47,930,964	26,724,370
Loss on disposal of fixed assets	1,576,145	2,593,409
Impairment of other assets	60,806,296	-
Impairment of investments in subsidiaries	(702,148)	-
Changes in operating assets and liabilities		
Increase in trade receivables	(92,081,051)	(79,122,853)
Increase in other receivables	(158,680,639)	(22,026,065)
Increase in materials and spare parts	(1,061,487)	(12,253,925)
Decrease in inventories	27,567,630	1,005,339
Decrease in other assets	24,491	-
(Decrease) Increase in accounts payable	(119,725,515)	39,334,189
Increase in salaries and social security payable	36,945,757	768,228
Decrease in taxes payable	(50,810,865)	(6,334,468)
Increase in other liabilities	54,745,635	2,535,940
Increase in provisions	9,835,500	143,895
Dividend payments to third parties by subsidiaries	(15,388,336)	-
Net cash provided by operating activities	288,212,476	183,630,539
INVESTING ACTIVITIES		
Payment for acquisition of companies, net of cash acquired	(59,159,566)	(57,954,598)
Collection from short-term investments	58,242,961	77,465,619
Payment for short-term investments	(91,688,558)	-
Increase in restricted cash	(423,827,886)	(28,170,191)
Payment for the acquisition of fixed assets	(492,653,263)	(458,846,586)
Proceeds from the sale of fixed assets	118,017,223	589,443
Capital contributions	(76,096,544)	-
Net cash used in investing activities	(967,165,633)	(466,916,313)
FINANCING ACTIVITIES		
Shareholders’ contributions	-	1,288,904,276
Dividends paid	(18,314,331)	(236,071)
Bank and financial borrowings	698,799,935	-
Payment of bank and financial debt	(119,494,051)	(55,952,379)
Acquisition of Company’s own shares	(8,656,445)	-
Net cash provided by financing activities	552,335,108	1,232,715,826
Net (decrease) increase in cash and cash equivalents	(126,618,049)	949,430,052
Cash and cash equivalents at the beginning of the period	719,167,483	77,555,254
Cash and cash equivalents at the end of the period	592,549,434	1,026,985,306

The accompanying notes are an integral part of these unaudited consolidated financial statements.

PAMPA ENERGIA S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in Argentine Pesos (“Ps.”) – unless otherwise stated)

NOTE 1. BUSINESS OF THE COMPANY

Pampa Energía S.A. (“the Company”) is an integrated electricity company which, through its subsidiaries, has a share of the electricity generation, transmission and distribution market in Argentina.

In the generation business, the Company has an installed capacity of approximately 2,003 MW, which accounts for approximately 8% of the installed capacity in Argentina. The Company is working on projects for expansion of its installed capacity by more than 200 MW.

In the transmission business, the Company through Compañía de Transporte de Energía Eléctrica de Alta Tensión Transener S.A. (“Transener”) joint-controls the operation and maintenance of the high-tension transmission network in Argentina which covers some 9,300 km of lines of its own, as well as 6,000 km of high-tension lines belonging to Empresa de Transporte de Energía Eléctrica por Distribución Troncal de la Provincia de Buenos Aires Sociedad Anónima Transba S.A. (“Transba”). Transener carries 95% of the electricity in Argentina.

In the distribution business, through Empresa Distribuidora y Comercializadora Norte S.A. (“Edenor”), the Company distributes electricity among over 2.5 million customers throughout the northern region of Buenos Aires and the Greater Buenos Aires, which is covered by the concession.

The Company shares are listed for trading on the Buenos Aires Stock Exchange and form part of the Merval Index. Global Depository Shares (GDSs) representative of shares in the Company are also listed for trading on the Luxembourg Stock Exchange and on the Euro MTF Market.

On February 25, 2008, the Company’s Ordinary and Extraordinary Shareholders' Meeting resolved to amend the Company's corporate name to “Pampa Energía S.A.” and the respective amendment to the bylaws. On September 4, 2008, this amendment was registered with the respective enforcement agencies

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These unaudited consolidated financial statements are stated in Argentine pesos, and have been prepared in accordance with generally accepted accounting principles used in Argentina (“Argentine GAAP”) and the regulations of the *Comisión Nacional de Valores* (the Argentine National Securities Commission or “CNV”).

The consolidated financial statements for the nine-month periods ended September 30, 2008 and 2007 have not been audited. The Company’s Management considers that they include all necessary adjustments to present fairly the results for each period. Results for the nine-month periods ended September 30, 2008 and 2007 do not necessarily reflect the Company’s results in proportion to the full fiscal years.

Basis of consolidation

The unaudited consolidated financial statements include the accounts of the Company and Inversora Nihuiles S.A. (“Inversora Nihuiles”), Inversora Diamante S.A. (“Inversora Diamante”), Dilurey S.A. (“Dilurey”), Powerco S.A. (“Powerco”), Corporación Independiente de Energía S.A. (“CIESA”), Central Térmica Loma de la Lata S.A. (“Loma de la Lata”), Transelec Argentina S.A. (“Transelec”), Dolphin Energía S.A. (“DESA”), IEASA S.A. (“IEASA”), Inversora Güemes (“Inversora Güemes”), Pampa Real Estate S.A. (“PRESA”), Pampa Participaciones S.A. (“Pampa Participaciones”), Pampa Participaciones II S.A. (“Pampa Participaciones II”) and Pampa Generación S.A. (“Pampa Generación”) over which the Company has effective control. The unaudited consolidated financial statements proportionally consolidate the accounts of Inversora Ingentis S.A. (“Inversora Ingentis”) over which the Company exercises joint control. All significant intercompany balances and transactions have been eliminated in consolidation.

PAMPA ENERGIA S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in Argentine Pesos (“Ps.”) – unless otherwise stated)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

Data reflecting corporate control are as follows:

Companies under direct control	Ownership interest and voting stock percentage		Companies under indirect control / Companies jointly controlled	Ownership interest and voting stock percentage	
	09.30.08	12.31.07		09.30.08	12.31.07
Generation					
Inversora Nihuiles	90.27	90.27	Hidroeléctrica Los Nihuiles S.A.	51.00	51.00
Inversora Diamante	91.60	91.60	Hidroeléctrica Diamante S.A.	59.00 ⁽⁴⁾	59.00
Loma de la Lata/Powerco ⁽¹⁾	100.00	100.00	Central Térmica Güemes S.A.	89.68 ⁽⁵⁾	60.00 ⁽⁵⁾
CIESA	98.00	100.00	Central Piedra Buena S.A.	100.00	100.00
Loma de la Lata	99.99	99.99			
Transportation					
Transelec ⁽²⁾	82.61	89.76	Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A.	52.65	52.65
Distribution					
DESA ⁽³⁾	98.00	100.00	Empresa Distribuidora y Comercializadora Norte S.A.	51.00	51.00
IEASA ⁽³⁾	98.00	100.00			
Holding					
PRESA	99.99	99.99			
Pampa Participaciones	99.99	98.00			
Pampa Participaciones II	98.00	98.00			
Pampa Generación	98.00	--			
Inversora Güemes	98.00	--			

⁽¹⁾ Loma de la Lata has control over Central Térmica Güemes S.A. (“CTG”) as a result of its 74.20% ownership interest in its capital and voting stock. Powerco, a fully owned subsidiary of the Company, carries an additional 15.48% interest in such company.

⁽²⁾ Transelec owns 50% of Compañía Inversora en Transmisión Eléctrica Citelec S.A. (“Citelec”), which in turn controls Transener with a 52,65% ownership interest in its capital and voting stock. Consequently, the Company effectively owns an indirect equity interest in Transener of 26.325%. As of September 30, 2008, the remaining 17.39% ownership interest in Transelec is held by Dilurey. The consolidated financial statements proportionally consolidate the accounts of Citelec.

⁽³⁾ DESA and IEASA control Edenor through Electricidad Argentina S.A. (“EASA”) as a result of its 100% ownership interest in its capital and voting stock.

⁽⁴⁾ As of September 30, 2008, additionally to the 59% equity interest in HIDISA through Inversora Diamante, the Company carries a direct 2% interest in such company.

⁽⁵⁾ As of September 30, 2008, the ownership interest in the capital and voting stock of CTG reflects the shares exchange from preferred shares to ordinary shares of CTG subscribed by Loma de la Lata, as mentioned in Note 5.

Data reflecting direct jointly controlled companies is as follows:

Company	Percentage of interest held in capital stock and possible voting rights	
	09.30.08	12.31.07
Inversora Ingentis ⁽⁶⁾	50.00 ⁽⁷⁾	50.00

⁽⁶⁾ Inversora Ingentis controls Ingentis S.A. (“Ingentis”) as a result of its 61% ownership interest in its capital and voting stocks.

⁽⁷⁾ As of September 30, 2008, the Company ceased consolidating proportionally the accounts of Inversora Ingentis taking into account the significant event mentioned in Note 16.

PAMPA ENERGIA S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in Argentine Pesos (“Ps.”) – unless otherwise stated)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

In accordance with Argentine GAAP, the presentation of the parent company’s individual financial statements is mandatory. Consolidated financial statements are to be included as supplementary information to the individual financial statements. For the purpose of these financial statements, parent company’s individual financial statements have been omitted.

In preparing the consolidated financial statements as of September 30, 2008 (unaudited), and December 31, 2007 the Company used financial statements of its subsidiaries covering the period between the acquisition or incorporation date and the date of this consolidated financial statements.

Presentation of consolidated financial statements in constant Argentine Pesos

The unaudited consolidated financial statements have been prepared in constant monetary units, reflecting the overall effects of inflation through August 31, 1995. As from that date, in accordance with Argentine GAAP and the requirements of the control authorities, restatement of the financial statements was discontinued until December 31, 2001. As from January 1, 2002, in accordance with Argentine GAAP recognition of the effects of inflation has been resumed.

In accordance with CNV Resolution 441/03, inflation accounting was discontinued as from March 1, 2003.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting standards requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the recorded amounts of revenues and expenses during the reported periods. Significant estimates include those required for the accounting of depreciation and amortization, the recoverable value of assets, the income tax charge and provisions for contingencies. Actual results could differ from those estimates.

Cash and cash equivalents

The Company considers all highly liquid temporary investments with an original maturity of three months or less at the time of purchase to be cash equivalents.

Investments

Short-term

Time deposits have been valued at cost plus accrued interest at each period / year-end. Investments in private securities, government bonds and mutual funds with an active market have been valued at their market price at each period / year-end. Other private and public securities have been valued at their face value plus accrued interests at each reporting date.

Long-term

Investments in which the Company has the ability to exercise significant influence but no control (between 20% to 50% of interest in the investee), are accounted for using the equity method. The Company evaluates its equity method investments for impairment whenever event or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable. The difference between the carrying value of the equity method investment and its fair value is recognized as an impairment when the loss in value is deemed other than temporary. Currently, the Company does not have any investments accounted for under the equity method.

Investments in equity securities in which the Company does not exercise control or significant influence (less than 20%) are accounted for at cost.

PAMPA ENERGIA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in Argentine Pesos (“Ps.”) – unless otherwise stated)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and liabilities

Accounts receivable and payable are stated at their nominal value plus financial results accrued at each balance sheet date. Non-current trade receivables include receivables from the generation and distribution segments which, according to its contractual terms, are expected to be realized beyond one year.

Financial receivables and debt have been valued at the amount deposited or collected, respectively, plus accrued interest based on the interest rate estimated at the time of the transaction.

Non-current financial receivables and debt have been stated at their nominal value plus financial results accrued at period or year end, if applicable. The values thus obtained do not significantly differ from those that would result from application of the prevailing accounting standards, which establish that they must be valued at the amount receivable and payable, respectively, discounted applying a rate reflecting the time value of money and the risks specific to the transaction estimated at the time of their addition to assets and liabilities, respectively.

Inventories, materials and spare parts

Inventories, materials and spare parts are stated at its replacement cost, which does not exceed their net realizable value at year end. Where necessary, an allowance is made for obsolete, slow moving or defective inventory.

Land acquired for their development and subsequent sale and fuel oil stocks were classified as inventories.

The Company classified inventories as current or non-current on the basis of the management estimate of when they will be sold.

Fixed assets

Fixed assets have been valued at cost less accumulated depreciation. Depreciation charges are generally computed under the straight-line method over the estimated useful lives assigned to the assets. Depreciation of Central Térmica Güemes and Loma de la Lata turbines and related equipment are calculated following the unit of production method. Depreciation of certain Transener assets have been calculated using technical formulas other than the straight-line method.

The cost of maintenance and repairs is charged to expense as incurred. The cost of significant renewals and improvements are added to the carrying amount of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the consolidated statement of income.

Financial costs generated by building, assembling and finishing fixed assets, when such processes extend over time are capitalized as asset cost. As of September 30, 2008, the accumulated capitalized amount resulting from extending the electric power generation plant located in Loma de La Lata amounted to Ps. 7,829,231, which is related to financing by third parties' capital.

Intangible assets

Preoperating and organization costs: it corresponds to general administrative costs, studies, valuations and other costs incurred in connection with Ingentis project. These costs will be amortized as from the start-up of the corresponding electricity generation plant.

Concession contract: it corresponds to the total value of the concession of Hidroeléctrica Los Nihuiles and Hidroeléctrica Diamante which are amortized under the straight-line method over the term of the respective concession contracts. Concession contracts are recognized as intangible assets separate from goodwill when this intangible has been previously recorded by the acquired entity.

Other intangible assets: it corresponds to the intangible assets identified in the acquisition of companies of the distribution segment which are amortized under the straight-line method over the period the benefits derived from each asset are obtained.

PAMPA ENERGIA S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in Argentine Pesos (“Ps.”) – unless otherwise stated)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other assets

Current

As of September 30, 2008, other current assets include the interest in Inversora Ingentis (see Note 16).

On September 8, 2008, the affiliate Loma de la Lata sold its heavy duty 178 MW Alstom model GT13E2 gas turbine for about Ps. 84.7 million. The sale was decided by such company’s Board of Directors for considering the best available alternative taking into account the changes in the technical and economic conditions that affected the original project to extend the power generation plant located in Loma de La Lata. The transaction’s total result, including the impairment already booked for the six-month period ended June 30, 2008 amounted to Ps. 60,806,296 and is included under the line Financial and holding results generated by assets in the statement of income.

Non-current

Costs incurred in relation with Transener “Fourth Line” project are included under other non-current assets. These costs are amortized under the straight-line method over the term of the operating contract, consisting in 15 years.

Goodwill

Goodwill represents the excess or shortfall in the fair value of identifiable net assets acquired compared with their acquisition cost. Positive goodwill amortization charges are calculated on a regular basis throughout their useful life, representing the best estimate for the period during which the Company expects to receive economic benefits from them. Negative goodwill is amortized on a regular basis throughout a period equal to the weighted average remaining useful life of the issuer’s assets subject to depreciation and amortization.

Impairment of long-lived assets

The Company periodically evaluates the carrying value of its long-lived assets and certain intangible assets for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The carrying value of a long-lived asset is considered impaired by the Company when the expected cash flows, discounted and without interest cost, from such an asset, is less than its carrying value. In that event, a loss would be recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Previously recognized impairment loss should only be reversed when there is a subsequent change in estimates used to compute the fair value of the asset. In that event, the new carrying amount of the asset should be the lower of its fair value or the net carrying amount the asset would have had if no impairment had been recognized.

Foreign currency assets and liabilities

Assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rates at year-end. Transactions denominated in foreign currencies are translated into local currency at the prevailing exchange rates on the date of transaction settlement.

Derivative financial instruments

The Company uses derivative financial instruments in the form of foreign currency forward exchange contracts to manage foreign currency risks. The Company used U.S. dollars forward exchange contracts to offset changes in the amount of future cash flows associated with the mature of payment of interests on Corporate Bonds Class No. 7 of its subsidiary Edenor expected to occur within the next three interest maturity dates. The Company recognizes the fair value of all derivative instruments as either assets or liabilities at fair value on its balance sheet. Changes in fair value are reported in the financial and holding results in the statement of income.

Allowances and provisions

The Company provides for losses relating to accounts receivable. The allowance for losses is recognized when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the terms of the agreements.

PAMPA ENERGIA S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in Argentine Pesos (“Ps.”) – unless otherwise stated)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company has certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings. The Company accrues liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated.

Taxes

Income tax

The Company records income taxes using the liability method, thus recognizing the effects of temporary differences between the carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be reversed and settled, considering the regulations in effect at the time of issuance of these financial statements.

The Company recognizes tax assets on its balance sheet only when their realization is deemed to be probable. A valuation allowance is recognized for that component of net deferred tax asset which is not recoverable.

Tax on assets

The Company calculates tax on assets by applying the current 1% rate on computable assets at the end of the year. This tax complements income tax. The Company’s tax obligation for each year will agree with the higher of the two taxes. If in a fiscal year, however, tax on asset obligation exceeds income tax liability, the surplus will be computable as a down payment of income tax through the next ten years.

Shareholders’ Equity

The account “Treasury stock” represents the face value of Company’s own shares acquired, which, as of the year-end, amounted to 6,496,218 Class A shares with a face value of Ps. 1. The acquisition cost of such shares amounted to Ps. 8,656,445 and it is disclosed by adjusting retained earnings (see Note 11).

Revenue recognition

Revenue is recognized when it is realized or realizable and earned when the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered; the prices are fixed or determinable; and collectability is reasonably assured.

Revenues for each of the business segments identified by the Company are recognized when the following conditions are met:

Generation

Revenues from generation are recognized under the accrual method.

Transmission

Revenues from transmission services include the following items: (i) connection to the system, (ii) energy transmission and (iii) transmission capacity. Revenue is recognized in income as services are provided. As stated in the concession agreements, Transener and Transba receive bonus payments when certain quality thresholds are met. Bonuses are recognized on income when earned. The Company derives additional revenues related to the transmission services from the supervision of the construction and operation of certain assets and other services provided to third parties. These revenues are recognized in income as services are rendered.

Distribution

Revenues for distribution services include electricity supplied, whether billed or unbilled. Unbilled revenue is determined based on electricity effectively delivered to customers and valued on basis of applicable tariffs. Unbilled revenue is classified as current trade receivables. The Company also recognizes revenues from other concepts included in distribution services, such as new connections, pole rental and transportation of electricity to other distribution companies. All revenues are recognized when the Company’s revenue earning process has been substantially completed, the amount of revenues may be reasonably measured, and the economic benefits associated with the transaction will flow to the Company.

PAMPA ENERGIA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Holding

Revenues from land sales are recognized when the Company has transferred to the buyer the risk of ownership.

NOTE 3. EARNINGS PER SHARE

The Company has calculated basic earnings per share on the basis of the weighted average amount of outstanding common stock at September 30, 2008 and 2007, as follows:

	For the nine-month period ended September 30,	
	2008	2007
Net income for the period	49,516,046	116,663,336
Weighted average amount of outstanding shares	1,525,921,597	959,535,293
Basic earnings per share	0.0324	0.1216

Furthermore, the Company has calculated diluted earnings per share on the basis of the possible dilutive effect of the options granted, as described in Note 9. Whether the dilutive effect increases the earnings per share, such dilutions will not be considered in calculations.

	For the nine-month period ended September 30,	
	2008	2007
Net income for the period	49,516,046	116,663,336
Weighted average amount of outstanding shares	1,570,421,958	1,039,826,889
Diluted earnings per share	0.0315	0.1122

The reconciliation of the weighted average number of outstanding shares for basic and diluted earnings per share is as follows.

	For the nine-month period ended September 30,	
	2008	2007
Weighted average amount of outstanding shares for basic earnings per share	1,525,921,597	959,535,293
Number of shares the Company will be required to issue if all the options granted are exercised	44,500,361	80,291,596
Weighted average amount of outstanding shares for diluted earnings per share	1,570,421,958	1,039,826,889

PAMPA ENERGIA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in Argentine Pesos (“Ps.”) – unless otherwise stated)

NOTE 4. BREAKDOWN OF CERTAIN BALANCE SHEET ACCOUNTS

	As of September 30, 2008	As of December 31, 2007
Trade receivables, net		
<i>Current</i>		
Receivables from energy distribution	351,546,000	376,067,000
Receivable from Argentine Wholesale Electric Market	60,019,348	52,685,537
CAMMESA (1) - Generation	168,095,930	88,357,435
CAMMESA - Transmission	40,666,232	35,450,903
FONINVEMEM (2) consolidated receivable	62,116,784	24,207,891
Debtors in litigation	14,231,502	19,544,335
Related parties	1,080,976	1,497,341
Other	12,272,398	14,787,788
Subtotal	<u>710,029,170</u>	<u>612,598,230</u>
Allowance for doubtful accounts	<u>(37,313,629)</u>	<u>(46,070,814)</u>
	<u>672,715,541</u>	<u>566,527,416</u>
<i>Non-current</i>		
Receivables from energy distribution	91,410,000	100,300,000
CAMMESA - Generation	616,083	628,409
FONINVEMEM consolidated receivables	101,111,935	101,777,860
Other	<u>(221,546)</u>	<u>57,781</u>
Subtotal	<u>192,916,472</u>	<u>202,764,050</u>
Other receivables, net		
<i>Current</i>		
Tax credit	92,924,309	34,767,535
Advances to suppliers	31,462,016	3,148,762
Legal embargo	627,184	591,973
Guarantee deposits	19,307,510	4,232,844
Related parties	5,199,092	6,229,327
Prepaid expenses	17,719,324	26,297,624
Other debtors	20,608,000	7,271,000
Other	13,133,623	17,185,356
Subtotal	<u>200,981,058</u>	<u>99,724,421</u>
Allowance for doubtful accounts	<u>(4,953,770)</u>	<u>(3,050,000)</u>
	<u>196,027,288</u>	<u>96,674,421</u>

⁽¹⁾ Compañía Administradora del Mercado Mayorista Eléctrico S.A. (“CAMMESA”).

⁽²⁾ Fondo para Inversiones Necesarias que permitan incrementar la Oferta de Energía Eléctrica en el Mercado Eléctrico Mayorista (“FONINVEMEM”).

PAMPA ENERGIA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in Argentine Pesos ("Ps.") – unless otherwise stated)

NOTE 4. BREAKDOWN OF CERTAIN BALANCE SHEET ACCOUNTS (CONTINUED)

	<u>As of</u> <u>September 30, 2008</u>	<u>As of</u> <u>December 31, 2007</u>
Other receivables, net (continued)		
<i>Non-current</i>		
Tax credit	134,354,825	152,892,058
Employee stock ownership programme	5,788,238	5,449,560
Prepaid expenses	1,739,000	-
Deferred income tax asset	83,957,250	43,566,877
Other	10,294,715	287,585
	<u>236,134,028</u>	<u>202,196,080</u>
Other assets		
<i>Current</i>		
Interest in Inversora Ingentis (see Note 16)	118,398,522	-
Other	-	43,010
	<u>118,398,522</u>	<u>43,010</u>
<i>Non-current</i>		
"Fouth Line" Project	<u>141,433,938</u>	<u>158,483,093</u>
Accounts payable		
<i>Current</i>		
Suppliers	399,063,971	526,248,908
Fees and royalties	3,317,167	4,491,915
Related parties	-	155,130
Deferred income	2,764,748	5,509,560
Customer advances	17,982,008	16,407,953
	<u>423,127,894</u>	<u>552,813,466</u>
<i>Non-current</i>		
Deferred income	3,162,561	3,655,370
Customer advances	75,413,198	76,337,620
	<u>78,575,759</u>	<u>79,992,990</u>

PAMPA ENERGIA S.A.
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(in Argentine Pesos ("Ps.") – unless otherwise stated)

NOTE 4. BREAKDOWN OF CERTAIN BALANCE SHEET ACCOUNTS (CONTINUED)

	As of September 30, 2008	As of December 31, 2007
Financial debt		
<i>Current</i>		
Financial loans	32,042,532	27,037,152
Bank overdrafts	185,654,189	-
Corporate bonds	444,103	2,043,321
Accrued interest	59,689,737	22,197,411
Related parties	-	2,356,500
	<u>277,830,561</u>	<u>53,634,384</u>
<i>Non-current</i>		
Financial Loans	12,858,563	7,675,687
Corporate bonds	2,124,826,690	1,622,368,384
Accrued interest	550,000	78,000
	<u>2,138,235,253</u>	<u>1,630,122,071</u>
Taxes payable		
<i>Current</i>		
Provision for income tax and tax on assets, net	70,728,138	43,656,304
Provision for tax on assets	15,384,498	15,221,102
Prepayments and advances for income tax	(28,576,785)	(21,621,461)
Value added tax	30,340,051	33,910,762
Municipal contributions	19,380,112	26,024,920
Tax related to energy	27,466,880	20,823,000
Income tax withholdings to be deposited	5,653,617	5,072,930
Other	7,684,605	3,980,019
	<u>148,061,116</u>	<u>127,067,576</u>
<i>Non-current</i>		
Deferred tax liabilities	537,381,006	550,984,438
Value added tax debit	26,006,208	22,410,304
	<u>563,387,214</u>	<u>573,394,742</u>
Other liabilities		
<i>Current</i>		
Purchase option - Transelec shares	-	38,762,432
Sale option - CTG shares	21,813,294	-
Programme of rational use of energy	-	1,931,000
Fees for the public offering process	104,000	818,000
Corporate bonds issuance fees	-	4,176,000
Related parties	-	47,650,470
Provision for Directors and Syndics' fees	231,605	375,130
Dividends payable	-	18,314,331
Other	10,935,343	26,405,129
	<u>33,084,242</u>	<u>138,432,492</u>
<i>Non-current</i>		
ENRE fines and bonuses ⁽¹⁾	323,209,000	281,395,000
Seller financing - Inversora Nihuales and Inversora	-	-
Diamante acquisition	16,266,531	15,986,852
Other	-	3,035,020
	<u>339,475,531</u>	<u>300,416,872</u>

(1) Corresponds to sanctions imposed by the regulator in the Company's distribution business due to non-compliance of certain service quality indexes established by the respective concession contract.

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(in Argentine Pesos (“Ps.”) – unless otherwise stated)

NOTE 5. ACQUISITION OF BUSINESSES

Acquisition of Inversora Nihuiles and Inversora Diamante

In May 2006, the Company entered into an agreement with Electricité de France Internacional S.A. for a total consideration of US\$ 35.5 million for the purchase of (i) 64.88% of Inversora Nihuiles, owner of 51% of Hidroeléctrica Los Nihuiles, and (ii) 56% of Inversora Diamante, owner of 59% of Hidroeléctrica Diamante. This acquisition was made jointly by Stein Ferroaleaciones S.A. (“Stein”), in which the Company and Stein hold 85% and 15%, respectively.

In June 2006, the Company independently made two offers in relation to the above hydroelectric plants: (i) an offer to Banco de Galicia y Buenos Aires S.A. for US\$ 9.3 million to purchase its shares representative of 12.5% and 12.5% of Inversora Nihuiles and Inversora Diamante, respectively, and (ii) an offer to Nucleamiento Inversor S.A. for US\$ 15.7 million to purchase its shares representative of 22.6% and 31.5% of Inversora Nihuiles and Inversora Diamante, respectively.

All the proposed acquisitions were consummated on October 16, 2006. The purchase price paid to Banco de Galicia y Buenos Aires S.A. was partially financed by the seller with a loan amounting to US\$ 4.9 million which due on June 7, 2011. This loan accrues a 3% annual interest rate.

Hidroeléctrica Diamante is an electricity generation company located in the Province of Mendoza with an installed capacity of 388.4 MW which holds (i) a provincial concession for the hydroelectric use of water from the Diamante river, located in San Rafael, Mendoza, and (ii) a national concession for the generation and commercialization of hydraulic power by its hydroelectric system.

Hidroeléctrica Nihuiles is an electricity generation company located in the Province of Mendoza with an installed capacity of 265 MW which holds (i) a provincial concession for the hydroelectric use of water from the Atuel river, located in San Rafael Mendoza, and (ii) a national concession for the generation and commercialization of hydraulic power by its hydroelectric system.

Acquisition of Transelec

On September 15, 2006, the Company acquired 89.76% of Transelec, a company holding 50% of the shares of Citelec, from Dolphin Opportunity LLC for a total consideration of US\$ 48.5 million. On the same date, a written put and a call option were signed with Marcelo Mindlin, Damian Mindlin and Gustavo Mariani, Transelec minority shareholders, comprising the remaining 10.24% interest.

On January 2, 2008 the minority shareholders of Transelec decided to exercise the option to sell 7,807,262 ordinary shares in Transelec under the terms provided for in the agreement for the merger and granting of purchase and sale options respectively.

On January 23, 2008, the Company settled its obligation with the minority shareholders of Transelec and paid the amount of approximately US\$ 12.3 million.

Citelec is the controlling company of 52.65% of Transener. Transener is the leading company in extra-high voltage electricity transmission utility services in Argentina and owns the extra high voltage electricity transmission national network, consisting of almost 9,300 kilometers of transmission lines plus approximately 5,500 kilometers of lines of its subsidiary network, Transba; therefore it operates 95% of the high-voltage lines in Argentina.

PAMPA ENERGIA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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NOTE 5. ACQUISITION OF BUSINESSES (CONTINUED)

Acquisition of Central Térmica Güemes

On January 4, 2007, the Company consummated the acquisition of (i) shares representative of 100% of Dilurey capital stock (which held 90% of Powerco capital stock) and (ii) shares representative of 8% of Powerco capital stock, holding 60% of CTG for a total consideration of US\$ 16.7 million.

As part of this acquisition, the Company signed a written put and call option for the remaining of 2% of the shares in Powerco which was exercised in August 2007 for US\$ 0.5 million.

As a result of this transactions, the Company obtained control of CTG. CTG is an open cycle generation plant with a 261 MW installed capacity at the acquisition date.

On September 18, 2007, CTG increased its capital stock for a total amount of Ps.208,000,040, issuing 180,869,600 non-voting preferred stock with a face value of Ps. 1 each, at a price of Ps. 1.15 per share for purposes of financing the expansion of its generation capacity. Preferred shares were fully subscribed by Central Loma de la Lata, one of the Company’s subsidiaries. In turn, Loma de La Lata executed a call option agreement in favor of the National Government by which, if this option is exercised, it shall transfer to the National Government 54,260,880 shares of preferred stock of its interest in CTG, representing 30% Loma de La Lata's shares of preferred stock of CTG’s capital stock. The National Government did not exercise its option to acquire such CTG preferred shares from Loma de La Lata during the term agreed.

Consequently and as provided by issuance conditions, on September 19, 2008, Loma de La Lata advised CTG of its decision to convert each one of its shares of preferred stock into one Class "A" share of common stock. On that date CTG's Board of Directors was informed of this decision. Based on the above, as of September 30, 2008, the Company’s interest in CTG's capital stock and votes, through its affiliates, Loma de La Lata and Powerco, amounts to 89.68% related to total Class “A” shares of common stock.

On June 5, 2008, the Ministry of Economy issued Resolution No. 72 which approved the early settlement of the CTG’s Employee Stock Ownership Plan. On October 3, 2008, the Company executed with Personnel adhering to the CTG's Employee Stock Ownership Plan a share purchase agreement, by which the Company acquired 6,290,600 Class “C” book-entry shares of common stock of CTG representing 2.58% of the capital stock and votes for total amount of Ps. 9,513,900. Under the terms and conditions of the previously mentioned agreement, the Class "C" shares acquired are converted into Class “B” shares, freely transferable to third parties.

Acquisition of Central Termica Loma de la Lata

On December 4, 2006 the Company agreed with Sociedad Argentina de Electricidad S.A (“SADESA”), a company that had acquired with Merrill Lynch, Pierce, Fenner & Smith Inc, a controlling interest in Central Puerto S.A. (“Central Puerto”), the purchase of 100% of the Loma de la Lata thermoelectric plant located in Loma de La Lata, Province of Neuquén, for a total consideration of US\$ 60.0 million. Loma de la Lata plant has an installed capacity of 369 MW.

The acquisition was consummated on May 17, 2007 once approvals were obtained.

In this connection, on the same date, the Company granted SADESA a call option over the Company’s ownership in Central Puerto, representing an 8.66% ownership at that date, which could be exercised until December 4, 2007, enabling the Company to sell those shares on the Buenos Aires Stock Exchange (“BASE”) at any time through that date. In November 2007, the Company sold its shares in Central Puerto in the BASE.

PAMPA ENERGIA S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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NOTE 5. ACQUISITION OF BUSINESSES (CONTINUED)

Acquisition of Central Piedra Buena

On July 26, 2007, the Company signed with Albanesi S.A. and certain subsidiaries controlled by Matlin Patterson an agreement, whereby the Company acquired (i) 100% of the capital stock and voting rights of CIESA, a company holding 99.99% of the capital stock and voting rights of Central Piedra Buena, and (ii) 100 % of the capital stock and voting rights of IPC Operation Limited, a company incorporated in the United Kingdom whose Argentine branch renders management services to Central Piedra Buena, for a total consideration of US\$ 85.0 million. The transaction was consummated on August 3, 2007.

Central Piedra Buena is a power plant located in Ingeniero White, Bahía Blanca, in the Province of Buenos Aires. It has a total installed capacity of 620 MW of power through two steam turbines of 310 MW, each of which with the flexibility to burn natural gas and fuel oil indiscriminately. The plant occupies 45 hectares and has two tanks with a combined storage capacity of 60,000 m³. Furthermore, Central Piedra Buena has been granted the exclusive right to use of a deep-water port for supply of fuel oil. The plant is connected to (i) the Argentine Interconnection System (SADI) through two 27-km 500-kW lines and (ii) Transportadora de Gas del Sur S.A. (TGS) through a 22-km gas pipeline of its own.

Acquisition of controlling interest in Edenor

On September 28, 2007, the Company purchased 100% of the capital stock of DESA and IEASA – companies that jointly hold 100% of the capital stock of EASA, a company holding 51% of the capital stock and voting rights of Edenor, issuing 480,194,242 shares of common stock with Ps. 1 face value at Ps. 2.61 (US\$ 0.83) per share.

As part of the agreement, each of DESA and IEASA selling shareholder agreed not to sell, directly or indirectly, more than 10% per month of the Company’s shares received as a result of the transaction during 120 days after its closing. The selling shareholders might also have the right to partly or fully sell the Company’s shares received as a result of the transaction, together with future share issues by the Company, and request the Company’s support to place those shares through a public or private offering, provided that in both cases the selling shareholders sell at least 60 million shares in the Company.

This transaction has been approved by the Company’s Shareholders’ Meeting held on August 30, 2007.

Incorporation of Inversora Ingentis

On August 6, 2007 the Company signed an agreement with Emgasud S.A. (“Emgasud”) for the construction of a combined cycle power plant of approximately 400 MW fueled by natural gas and a wind farm of approximately 100 MW. This project will be carried out by Ingentis whose capital will comprise as follows: (i) 39% by the Province of Chubut and (ii) 61% by Inversora Ingentis, a special purpose company jointly controlled by the Company and Emgasud.

Inversora Ingentis signed an agreement with GE Package Power Inc. and General Electric International Inc., Argentine Branch, for the acquisition of two natural gas turbine-generators of 102.3 MW of power each for a total consideration of US\$ 70.2 million.

On October 11, 2007, the Company and Emgasud amended the shareholders’ agreement originally signed on August 6, 2007, establishing Inversora Ingentis shareholding structure, represented by 20% of voting common stock, held in equal parts by the Company and Emgasud, and by 80% of non-voting preferred stock held by the Company. In none of the cases, Inversora Ingentis capital stock will exceed US\$ 40.0 million.

Inversora Ingentis Shareholders’ Meeting held on October 11, 2007 increased the capital stock of Inversora Ingentis to Ps. 125,020,000, represented by 12,510,000 class A common stock held by Emgasud, 12,510,000 class B common stock held by the Company and 100,000,000 non-voting preferred stock held by the Company.

On May 13, 2008, the Ordinary Shareholders’ Meeting of Inversora Ingentis S.A. approved a capital increase of Ps. 62,500,000, by issuing 31,250,000 Class “A” of common stock subscribed by Emgasud S.A. and 31,250,000 Class “B” shares of common stock subscribed by the Company.

The Company granted Emgasud an option to purchase 50% of the outstanding preferred stock in Inversora Ingentis until December 31, 2011 at a price equal to the US\$ paid at the subscription date plus a 0.03287% daily interest. 50,000,000 Inversora Ingentis non-voting preferred stock held by the Company are pledged as collateral in this connection.

PAMPA ENERGIA S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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NOTE 6. REGULATORY FRAMEWORK

The relevant regulations that affect the Company’s operations, classified by segment, are described below.

Generation

The Company and its affiliates generate energy which, through the SADI (interconnected system) is directly sold to the Wholesale Electric Market (WEM) at the prices approved by CAMMESA (Compañía Administradora del Mercado Mayorista Eléctrico S.A.). Such prices arise from supplying the WEM’s electric demand with electric supply whose variable production cost is related to the less efficient machine that is currently generating power with natural gas. Revenues from the sale of power result from the sales on the WEM’s spot market and sales to large client on the WEM’s Forward Market through agreements executed by the parties and in accordance with the regulations established by the Energy Secretariat (ES).

Restrictions on spot prices Energy Secretariat Resolution 240/2003

By means of this resolution the ES amends the methodology to set the prices on the WEM and determines that the maximum variable production cost (CVP) recognized to set the prices is that of the most inefficient unit operating or available using natural gas. The difference between the CVP and the Node Price of the thermal machine in operation is included as Temporary Dispatch over cost (Stabilization FundSub-account). Additionally, in case of restrictions to the demand, the maximum Spot Price recognized is Ps. 120 per MW.

As the seasonal price had not followed the evolution of the WEM’s spot price approved by CAMMESA, the resources from the Stabilization Fund were used to meet production costs, which during the last few years underwent an ongoing definancing.

Receivables from WEM generators

In September 2003, the ES issued Resolution No. 406/03 by which it was established that, based on the depletion of available resources in the WEM’s Stabilization Fund, amounts pending payments in each month are consolidated, accruing interest at an interest rate equivalent to the mean monthly yield obtained by OED-CAMMESA (agency in charge of dispatch) in its financial placements, to be paid when the Fund will have sufficient funds according to a priority order of payment to agents.

This situation directly affects the Company’s financial position and its affiliates as they carry consolidated receivables documented by CAMMESA, under LVFVD (Sales Settlements with Due Date to be Defined).

Fund for Investments required to increase the electric power supply in the WEM (FONINMEM)

ES Resolution No. 712/04 created the FONINMEM to increase the available electric generation by investments in thermal generation.

By means of resolutions No. 826/04, 1427/04, 622/05 and 633/05, the Energy Secretariat invited all WEM agents creditors with LVFVD to express their decision to convert (or not) 65% of their receivables accumulated from January 2004 and through December 2006, in an interest in a combined cycle project, payable once all new combined cycles to be built with the financing of FONINMEM are operational.

The portion of LVFVD contributed to FONINMEM will be converted into US\$ and will have an annual yield at LIBO + 1% and will be received in 120 equal, monthly and consecutive installments as from the commercial authorization of the combined cycle of electric plants, provided as from June 2009.

Consequently, on December 13, 2005, the agreements to organize the generating companies “Sociedad Termoeléctrica Manuel Belgrano S.A.” and “Sociedad Termoeléctrica José de San Martín S.A.” were executed. Both companies with the object to produce electric power and its commercialization in block and specifically, the management to purchase the equipment, construction, operation and maintenance of a thermal power station. The Company and some of its affiliates executed the respective minutes accepting the subscription of shares for both generating companies.

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NOTE 6. REGULATORY FRAMEWORK (CONTINUED)

Generation (Continued)

On May 31, 2007, the ES issued Resolution No. 564, called again those private WEM creditors to extend the interest in the FONINVEMEM by contributing 50% of total receivables generated during 2007. Additionally, this Resolution establishes the following alternatives regarding the collection of the funds contributed to the fund:

- i. Recover the funds contributed in 120 monthly installments, from the commercial authorization date for the new plants, with a yield equivalent to the average rate of financial placements by CAMESA through that date and from that moment the yield would be at LIBO + 2% p.a. or 1.5% p.a., if all or part of the contributing parties adhere, respectively.
- ii. Participate in the remaining financing in investments in thermal generation, in which case the recovery of contributed funds as provided by FONINVEMEM I, additionally obtaining equity interests in the new power stations. This option calls for the collection of additional contribution required to build the generating plants.
- iii. Use FONINVEMEM credits for alternative projects to invest in equipment for new electric generation for which the following conditions should be complied with: (a) they should entail an investment equivalent to three times the value of credits; (b) they should consist of a contribution of a new generating plant or of the installation of new generating unit within an already-existing plant or allowing to increase the quota or imply increasing generation in already-existing hydroelectric plants; (c) power and reserved capacity should be sold on the forward market (including Energia Plus) while exports are not allowed for the first 10 years.
- iv. Not investing, in which case the return will be made in 120 installments from the commercial authorization date of generators and will have a yield equivalent to the average rate of financial placements on the OED through each payment date.

The Company stated in due course its decision to participate in the formation of FONINVEMEM, choosing alternative (iii) based on the investment projects submitted. On June 20, 2008, by means of Note No. 615, the ES considered that the Company's proposal was verified and instructed OED to fund the LVFVD related to 2007. During September 2008, the Company's subsidiaries have received partial payments for such receivables.

As of the issuance date of these financial statements, the ES has made no pronouncement as to how receivables with undetermined maturity date booked during 2008 should be repaid. Therefore, the Company has booked such credits based on the best estimate as to the possibilities of collecting such receivables.

The Company's Management continues developing action plans to counteract the impact generated by these circumstances.

The future evolution of this situation could call for the Government to modify some measure adopted or issue additional regulations. Impacts generated by the set of measures adopted to date by the Federal Government on the Company's economic and financial situation as of September 30, 2008, were calculated according to evaluations and estimates carried out by the management when preparing these financial statements and should be read considering such circumstances.

Energy Plus - ES Resolution No. 1281/06

The Energy Secretariat approved Resolution No. 1281/06, in which it is established that the existing energy commercialized in the Spot market will have the following priorities: (1) Demands below 300 KW; (2) Demands over 300 KW with contracts; and (3) Demands over 300 KW without contracts.

It also establishes certain restrictions to the commercialization of electricity, and implements the Energy Plus service, which consist in the offering of additional generation availability by the generating agents. These measures imply the following:

- Hydroelectric and thermal generators without fuel contracts are not allowed to execute any new contract.
- Large Users with a demand over 300 KW (“LU300”) will be only allowed to contract their energy demand in the forward market for the electrical consumption made during the year 2005 (“Base Demand”) with the thermoelectric plants existing in the WEM.
- The new energy consumed by LU300 over the Base Demand must be contracted with new generation at a price freely negotiated between the parties (Energy Plus).
- The New Agents joining the system must contract their whole demand under the Energy Plus service.
- For the new generation plants to be included within the Energy Plus service, they must have fuel supply and transportation contracts.

PAMPA ENERGIA S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in Argentine Pesos (“Ps.”) – unless otherwise stated)

NOTE 6. REGULATORY FRAMEWORK (CONTINUED)

Generation (Continued)

Under such standard, CTG increased its generation capacity by 98.8 MW ISO upon starting up the new LMS 100 generation unit. CTG is the first WEM generator that is in a position of providing the service to Energía Plus. For such purpose, service agreements were executed with Energía Plus for the entire Net Effective Power of the extension with various agents from the Forward Market (MAT).

Together with the approval by the Federal Planning, Public Investment and Services Ministry of the profit margin presented by CTG by means of MPFIPyS Resolution No. 2495/08, the ES authorized through its briefs No. 625/08, 2429/08 and 2495/08, CTG agreements with 108 MAT Agents for a total power of 67 MW. Due the authorization of agreements, during September 2008, 13.02 GW were sold as mentioned above.

ES Resolution No. 599/2007: Natural gas supply

Resolution No. 599/2007, dated June 14, 2007, approves the proposal for the agreement with the producers of Natural Gas 2007 - 2011, aiming at supplying the domestic demand of that fuel.

Each of the signing producers undertakes to make available to the gas consumers, whose consumptions are a part of the Agreement Demand, the daily volumes which are set forth for said Signing Producer, which have been calculated according to established proportions. The Agreement Demand has been established on the basis of the gas consumption of the natural gas Internal Market of Argentina during 2006.

For the purposes of supplying the Priority Demand and performing a useful and efficient contracting of the corresponding part of the Agreement Volumes, the Signing Producers must satisfy at least the consumption profile verified in each of the supply arrangements to be renewed and corresponding to the consumption of each month of 2006.

Recognition of variable costs

On October 29, 2007 the National Energy Secretariat informed that the current variable cost to be recognized to the generators of Ps.7.96/MW, shall be increased in accordance with the consumed liquid fuel, by:

- Gas-oil/Diesel Oil Generation: Ps. 8.61/MW
- Fuel Oil Generation: Ps.5.00/MW

In addition, if a thermal unit generated with natural gas of the company's own receives a remuneration in which the difference between the maximum recognized variable production cost and the node price is below 5 Ps./MW, the latter value must be recognized.

Transmission

Tariff situation

Within the framework of the renegotiation of Utility contracts, in May 2005 Transener and Transba signed the Agreement Minutes with the Renegotiation and Analysis of Utility Contracts Unit (“UNIREN”), including the terms and conditions to adjust the Concession Contracts, which were ratified by Decrees 1460/05 and 1462/05 of the Executive Branch dated November 28, 2005.

Based on the guidelines established in the above Agreement Minutes, a Comprehensive Tariff Review was scheduled to be performed to determine a new tariff system for Transener and Transba. However, the ENRE continued with the suspension of the Public Hearing to deal with the tariff proposals submitted by both Companies, which should have become effective for Transener and Transba in February 2006 and May 2006, respectively.

On December 26, 2006 Transener requested the ENRE fulfillment of the obligations assumed in the Agreement Minutes, stating its decision to continue with the Comprehensive Tariff Review during 2007, provided that the remaining obligations assumed by the parties continue to be in force and the new system resulting from the Comprehensive Tariff Review process becomes effective as from February 1, 2008. On December 28, 2006 Transba submitted a note to the ENRE similar to that submitted by Transener, although adapted to the provisions of its Agreement Minutes as regards the terms and investments to be made.

PAMPA ENERGIA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in Argentine Pesos (“Ps.”) – unless otherwise stated)

NOTE 6. REGULATORY FRAMEWORK (CONTINUED)

Transmission (Continued)

On April 9, 2007 Transener made a new presentation to the ENRE, stating non-fulfillment of the obligations assumed in the Agreement Minutes by the latter and the serious situation arising from such non-fulfillment. Furthermore, the ENRE was requested to immediately regularize the Comprehensive Tariff Review process, and issue administrative acts aimed at recognizing in the tariff the cost increases occurred after the signing of the Agreement Minutes. In the case of Transba, on April 10, 2007 a note similar to that submitted by Transener was presented to the ENRE, which was subsequently submitted on May 28, 2007.

On June 29, 2007, the ENRE formally requested Transener and Transba to submit their tariff proposals based on the terms outlined in the respective Agreement Minutes and section 45 of Law No. 24065 and related provisions. Therefore, in September, both companies submitted their tariff and regulatory proposals to the ENRE for the five-year period 2008/2012, updating the information submitted in August 2005.

However, to date there is uncertainty as to when the public hearings will be held to deal with the proposals submitted by Transener and Transba within the framework of the Comprehensive Tariff Review processes.

Lastly, as a result of the increase in labor costs arising from the application of Decree 392/04 of the Executive Branch and subsequent decrees, which have been translated into higher operating costs as from 2004, during 2007 Transener and Transba continued filing the corresponding claims with the ENRE to proceed to readjust remuneration in accordance with the clauses established in the Agreement Minutes. No answer has yet been received from the ENRE in relation to those claims.

In this connection in March 2008, ENRE was requested to provide a speedy resolution and proceed to recognize the increased costs that Transener S.A. and Transba S.A., respectively, had to bear. It should be noted that on April 21, 2008 and on May 5, 2008, UNIREN has stated by means of a brief that the mechanism to monitor costs and the service quality system was stated when the RTIs of Transener S.A. and Transba S.A., respectively, became effective and that upon defining such process it may not be attributed to Concessionaires and could derive in an impairment of their rights.

Likewise, Transener S.A. and Transba S.A. requested the Energy Secretariat that i) it instructed ENRE to apply a rate increase equal to the cost variation index in the Memorandum of Understanding , ii) ENRE determined the actual impact of the increased costs of the operation and investments to provide the respective adjustments retroactively as provided in the Memorandum of Understanding.

In that sense, by means of ES brief 897 of July 29, 2008, the Energy Secretariat instructed ENRE to enforce covenants 4.2, 4.3 and 11.1 of the Memorandum of Understanding even partially. Thus, on July 31, 2008, ENRE issued Resolutions Nos. 327/08 and 328/08 adapting Transener’s and Transba’s compensation by about 23 and 28%, respectively, effective as from July 1, 2008.

Although by means of resolutions of July 31, 2008, the previously mentioned rate increases were implemented, these increased did not reflect the presentations made by both companies as regards recognizing costs established by the agreement with UNIREN since fiscal 2005 to date. Therefore, Transener and Transba have filed claims with ENRE, due to disagreements about the implementation of the previously mentioned resolutions as they contract the instruction issued by the Energy Secretariat which instructed ENRE to implement increases of 39.2 % and 43.03 % on regulated compensations effective as of June 30, 2008 for Transener S.A. and Transba S.A. respectively.

PAMPA ENERGIA S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in Argentine Pesos (“Ps.”) – unless otherwise stated)

NOTE 6. REGULATORY FRAMEWORK (CONTINUED)

Distribution

Tariff situation

The Executive Branch, in the exercise of the powers granted by Section 99 of the Argentine Constitution and Law No. 25561, proceeded to ratify the Agreement Minutes signed on February 13, 2006 within the framework of the renegotiation of the Utility contracts through Decree No. 1957/06 published in the Official Gazette on January 8, 2007.

The above Agreement Minutes contain the terms and conditions which, once the other procedures provided for in that instrument has been performed, constitute the basis that will allow the Comprehensive Renegotiation of the Concession Utility Contract between the Executive Branch and this concessionaire for the distribution and selling of electricity in federal jurisdiction.

The execution of the agreement begins the process of adjustment of the concession agreement as a means of overcoming the effects of the public emergency status, freezing and “pesification” of tariffs established by Law No. 25561. The Agreement establishes a transitional period and the later comprehensive renegotiation of the agreement through a Comprehensive Tariff Review process. The agreement contemplates in the immediate, within the transitional period: 1) an increase of the added distribution value (VAD) of 23%, retroactive at November 1, 2005, which will not apply to household customers; 2) an additional amount of 5% destined to certain works; 3) a system of installment settlement of unpaid fines; 4) the beginning of the Comprehensive Tariff Review process, in charge of the ENRE. This review will be the one that finally restructures the Concession Contract of Edenor; 5) the coming into force of a differential service quality regime for the duration of the transitional period; 6) the suspension of the claims filed before the International Centre for Settlement of Investment Disputes (ICSID) during the “transitional period” and the final waiving of these once the comprehensive tariff review is finished. This suspension also includes that of any proceedings before national or international courts, filed by the company and/or its shareholders against the Argentine National Government as a consequence of the public emergency declared by Law No. 25561, as well as the commitment not to start any proceedings before national or foreign courts against the National Government as a consequence of that emergency. Regarding EASA, it establishes the obligation to extend the surety for the foreclosure of the pledge to the class A shares it has in Edenor in favor of the National Government for any non-fulfillment of the Agreement Minutes by EASA or by Edenor itself.

The new tariff system resulting from the comprehensive tariff review process will be effective for five years and its final determination will be the responsibility of the ENRE pursuant to the provisions of Law No. 24065.

On April 30, 2007, Resolution No. 434/07 of the Secretariat of Energy was published in the Official Gazette, through which a new contract transition period was established under the terms of the Renegotiation Agreement Minutes signed on February 13, 2006. This period covers from January 6, 2002 and the date the tariff schedule resulting from the Comprehensive Tariff Review becomes effective. At the date of issue of these financial statements no resolution has been passed as regards the effective date of the tariff schedule resulting from the Comprehensive Tariff Review scheduled for February 1, 2008 according to the above Resolution.

On October 4, 2007, Resolution No. 1,037/2007 of the Secretariat of Energy was published in the Official Gazette, which establishes that the amounts paid by EDENOR for the Quarterly Adjustment Index (CAT) sets forth by Section 1 of Law No. 25,957 and the amounts corresponding to the Cost Monitoring Mechanism (MMC) be deducted from the funds resulting from the difference between collection of the additional charges derived from the application of the Good Use of Electricity Programme (PUREE) and the payment of bonuses to users under such Programme, until their transfer to the tariff is approved. In addition, the above Resolution sets forth that the adjustment for the MMC for the May 2006 – April 2007 period effective as from May 1, 2007 amounts to 9.63%.

Additionally, on October 25, 2007, Resolution No. 710/2007 of the ENRE was passed, which approves the MMC compensatory procedure sets forth by Resolution No. 1,037/2007 of the Secretariat of Energy.

On July 30, 2008, the ES issued Resolution No. 865/2008 amending Resolution No. 434/2007 and establishing a new tariff schedule resulting from the Revision of the Tariff Structure (RTI) in force as from February 2009.

On the other hand, on July 31, 2007, the ENRE issued Resolution No. 324/2008 approving the values of Edenor’s new tariff schedule that contemplates the partial enforcement of adjustments by MMC and passing them on to the rates. Such tariff schedule increases the distribution added value of such company by 17.9% and will be applied to consumption as from July 1, 2008.

As described above, on average, tariffs for final users, depending on their consumption, will be increased by percentages ranging from 0% to 30%.

PAMPA ENERGIA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(in Argentine Pesos (“Ps.”) – unless otherwise stated)

NOTE 7. FINANCING STRUCTURE

The financing structure of the Company’s consolidated subsidiaries as of September 30, 2008 is as follows:

Subsidiary company	Corporate Bonds	Issuance date	Amount in US\$ outstanding as of September 30, 2008	Agreed rate	Final maturity
Transener	At par at fixed rate	Dec-20-2006	220,000,000	8.875%	2016
Edenor	At par at variable rate	Apr-24-2006	12,656,086	Libor + 0% to 2% (incremental)	2019
	At par at fixed rate	Apr-24-2006	80,047,997	3% to 10% (incremental)	2016
	At par at fixed rate	Oct-9-2007	220,000,000	10.5%	2017
EASA	At par at fixed rate	Jul-19-2006	12,874,441	3% to 5% (incremental)	2017
	At a discount at fixed rate	Jul-19-2006	72,417,600	2.125% to 7% (incremental)	2016
CTG	At par at fixed rate	Oct-3-2003	6,069,300	2%	2013
	At par at fixed rate	Jul-20-2007	22,030,320	10.5%	2017
Loma de la Lata	At a discount at fixed rate	Sep-8-2008	178,000,000	11.25%	2015

As of September 30, 2008, the Company and its subsidiaries acquired Corporate Bonds issued by different companies in the group under its control at their market value for US\$ 20,249,780. Such Corporate Bonds are equivalent to a book value of US\$ 26,570,885, booked in each issuing company as of the end of period.

The financial debt repurchased is as follows:

Subsidiary company	Corporate Bonds	Final maturity	Face Value in US\$	Aumounts paid in US\$	Book value in US\$
Transener	At par at fixed rate	2016	2,000,000	1,245,045	2,000,000
EASA	At a discount at fixed rate	2016	18,368,471	12,710,971	16,809,440
CTG	At par at fixed rate	2013	7,704,395	6,293,764	7,761,445
Total				20,249,780	26,570,885

Likewise, Transener and its affiliate, Transba S.A., acquired Corporate Bonds from Transener for a face value of US\$ 1,528,000.

Due to the previously mentioned transactions, the Company booked in the income (loss) for the period, an income for Ps. 20,425,355 disclosed in the line Financial Income (expense) and Holding Gains (losses) generated by liabilities (Result from repurchasing financial debt)

PAMPA ENERGIA S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in Argentine Pesos (“Ps.”) – unless otherwise stated)

NOTE 7. FINANCING STRUCTURE (CONTINUED)

Transener

In October 2006 Transener started a process for refinancing its outstanding financial debt, offering to the bondholders the repurchase of Class 6 and Class 8 Corporate Bonds at par value in cash, and to fully redeem Class 7 and Class 9 Corporate Bonds issued at a discount, obtaining the approval of approximately 76% of them.

To finance the purchase offer and the redemption of the above bonds, Class 1 Corporate Bonds for US\$ 220 million were issued. These new securities with a final maturity on December 15, 2016 bear interest at an annual rate of 8.875% and shall be repaid in four equal installments on December 15, 2013, 2014, 2015 and 2016. Class 1 Corporate Bonds have been authorized for public offering in Argentina pursuant to the provisions of CNV Resolution No. 15,523 dated November 30 2006.

The settlement of the purchase offer in cash of the Class 6 and Class 8 Corporate Bonds at Par, the full redemption of the Class 7 and Class 9 Corporate Bonds at a discount, and the issuance of the new Class 1 Corporate Bonds took place on December 20, 2006.

Under the refinancing terms, Transener and its restricted subsidiaries are subject to compliance with a series of restrictions. At the date of issue of these financial statements Transener and its subsidiaries had fulfilled these obligations.

Edenor

Corporate Bonds Programme

The Shareholders’ Meeting of Edenor held on February 23, 2006, approved a Global Programme of Medium-Term Corporate Bonds for an outstanding maximum amount of up to US\$ 600 million (or its equivalent in other currencies), which was approved by the CNV on March 23, 2006.

On June 28, 2007, under the terms of the abovementioned Programme, the Board of Directors approved the issuance of Corporate Bonds by public offering under Law No. 23,576 and its amendments, which will fall due on 2017 at a fixed rate and with a par value of up to US\$ 250 million.

On October 9, 2007, Class 7 Corporate Bonds for US\$ 220 million were issued under the public offering regime for a term of ten years, at par value, accruing interest at an annual fixed rate of 10.5%, payable on April 9 and October 9 of each year, the first service of which was on April 9, 2008, the principal being amortized in a down payment on October 9, 2017. Corporate Bonds are traded at the Buenos Aires Stock Exchange, the Over-the-counter Market and the Euro MTF Market, the alternative market of the Luxemburg Stock Exchange. Furthermore, Edenor may request their trading in the PORTAL Market and authorization to list and/or trade the Corporate Bonds in any stock exchange and/or local and/or foreign self-regulated market.

Proceeds from the issuance of the Corporate Bonds were used to repaid existing indebtedness

Derivative financial instruments

During the period ended September 30, 2008, Edenor executed transactions with derivative financial instruments to ensure the exchange rate of cash flows related to the settlements to be paid over the next three maturity dates of interest on financial payables, Corporate Bonds at par at variable rate and Corporate Bonds Class No. 7, for US\$ 6.8 million and US\$ 34.7 million, respectively, through December 2009.

These instruments allow Edenor to be covered against the fluctuation of exchange rate in connection with US\$ financial obligations mentioned above. Since these transactions have not been designated as hedge instruments, Edenor has accounted for these derivative instruments at their market value, and changes in the such accounting measure, representing a loss of Ps. 7.1 million, are recognized in income for the period.

EASA

At the date of the issuance of the Company’s financial statements, EASA complies with its obligations as established in the trust agreement relating to the Corporate Bonds issued after having completed the restructuring process of its financial debt.

PAMPA ENERGIA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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NOTE 7. FINANCING STRUCTURE (CONTINUED)

Central Térmica Güemes

Exchange of Corporate Bonds

On June 12, 2007 CTG launched an exchange offer of all outstanding Series A Corporate Bonds amounting to US\$ 31.7 million and Series B Corporate Bonds amounting to US\$ 21.9 million. The exchange offer was authorized by resolutions adopted by the Shareholders Meeting held on June 28, 2007 and by the Board of Directors Meetings held on June 12, 2007, June 21, 2007 and June 28, 2007.

The above-mentioned Shareholders’ Meeting approved the issuance up to US\$ 34.8 million unsecured unsubordinated US dollar-denominated Corporate Bonds, not convertible for shares.

On July 20, 2007, CTG received the acceptance of 88.7% of the holders of the total debt subject to restructuring. The exchange took place on July 25, 2007, date on which CTG, under the conditions offered to and accepted by the participating bondholders:

- Issued US\$ 22.0 million Corporate Bonds accruing interest at a rate of 10.5%, falling due on September 11, 2017;
- Paid US\$ 8.9 million in cash to the holders that exercised this option; and
- Paid US\$ 0.3 million in cash of accrued interest, plus a cash payment of US\$ 0.1 million for holders that accepted the offering in advance.

The Corporate Bonds were authorized by the CNV on July 11, 2007. Corporate Bonds have been authorized for trading on the Buenos Aires Stock Exchange and the Mercado Abierto Electrónico.

New Corporate Bonds Programme

On July 21, 2008, the Ordinary and Extraordinary Shareholders’ Meeting of CTG approved the creation of a Global Programme of securities representing short-term debt up to a maximum amount outstanding at any time that may not exceed Ps. 200 million or the equivalent amount in other currencies, under which CTG may issue corporate bonds in various classes and/or series, each one of them with an amortization term of up to 365 days or a shorter or longer term that in the future applicable regulations may contemplate. Such Meeting delegated to CTG’s Board of Directors the power to establish certain conditions of the Programme and the opportunity of issuance and other terms and conditions of each class and/or series of corporate bonds to be issued under the Programme.

As of September 30, 2008, CTG has not issued any class and/or series of corporate bonds under this Programme.

Central Piedra Buena S.A.

On June 18, 2008, the Ordinary and Extraordinary Shareholders’ Meeting of CPB approved the creation of a global programme for the issuance of securities representing short-term debt (the “VCP”) in the form of simple corporate bonds non-convertible into shares, denominated in pesos, US dollars or any other currency with or without guarantee, either subordinated or not, for a maximum outstanding amount at any time that may not exceed Ps. 200 million, with an amortization term of up to 365 days, or at a longer term that applicable rules may contemplate (the “Programme”). Such Meeting delegated to CPB’s Board of Directors the power to establish certain conditions of the Programme and the opportunity to issue and other terms and conditions of each class and/or series of corporate bonds to be issued under the Programme.

As of September 30, 2008, CPB has not issued any class and/or series of corporate bonds under this Programme.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in Argentine Pesos (“Ps.”) – unless otherwise stated)

NOTE 7. FINANCING STRUCTURE (CONTINUED)

Loma de La Lata

Financing for Loma de La Lata’ Project

On May 30, 2008, Loma de la Lata entered into two facility agreements with ABN AMRO Bank N.V. and Standard Bank Plc., as lenders, and ABN AMRO Bank N.V., Argentine Branch, for financing a part of the costs to be incurred in connection with Loma de la Lata’s current expansion project (converting such plant’s existing generation units into a combined cycle-gas fired power plant). The facility agreements provided for the issuance of letters of credit for an aggregate amount of US\$ 88.2 million (in addition to other fully collateralized letters of credits issued by ABN AMRO Bank N.V. for an aggregate amount of US\$ 66.5 million), and set forth the financial commitments granted by such banks to make loans in favor of Loma de la Lata for an aggregate amount of up to US\$ 80 million, which loans would mature in March 2013 (except as extended pursuant to the terms of the facility agreements). Fees on such letters of credit accrue at an annual rate ranging from 2% to 2.5% (this fee was reduced since Loma de La Lata collateralized such letters of credit with funds from the issuance of corporate bonds, as defined below), while interest on any loans disbursed under the facility agreements accrues at an annual rate equal to LIBOR plus an applicable margin ranging from 4.75% to 5.5%.

Loma de la Lata’s obligations under the facility agreements are secured by the following guarantees issued by the Company and Loma de La Lata itself:

- a. an irrevocable and unconditional guaranty issued by the Company on behalf of the lenders beformentioned under the facility agreements;
- b. a first priority pledge on all of Loma de la Lata’s capital stock and all existing and future subordinated debt incurred by Loma de la Lata with the Company or any of its affiliates;
- c. Trust assignment of rights of Loma de La Lata under (a) electricity sale agreements and transactions as regards the additional capacity of electric generation resulting from the Project, (b) certain insurance policies as regards the Project, (c) certain rights of de Loma de La Lata under construction and supply agreements related to the Project, together with the guarantees already issued or to be issued in favor of Loma de La Lata, (d) certain rights of Loma de La Lata under gas supply agreements to be executed in the future and (e) funds to be deposited in an account opened for such purpose, under the Trust Assignment and Trust Guarantee Agreement executed between Loma de La Lata, as trustor and ultimate beneficiary, ABN AMRO Bank N.V., Sucursal Argentina, in its capacity of administrative agent under the Financing Agreements and Standard Bank Argentina S.A., as trustee;
- d. Establishing two accounts to be funded or granting guarantees or letters of credit to cover interests as regards loans granted and fees and/or commissions to be accrued under the letters of credit issued under the Financing Agreements until the Project is completed, and;
- e. Assignment of a credit for the benefit of Isolux Corsan Argentina S.A. and Tecna Estudios and Proyectos de Ingeniería S.A. Unión Transitoria de Empresas (joint venture), in its capacity of constructor under the construction agreement related to the Project, of amount to deposited in the account of Loma de La Lata established at ABN AMRO Bank N.V., Sucursal Argentina because of disbursement under the Construction Financing Agreement, carried out under Assignment Agreement of the Bank Account Balances executed between Loma de La Lata and the previously mentioned joint venture.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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NOTE 7. FINANCING STRUCTURE (CONTINUED)

Loma de La Lata (Continued)

Authorization for the issuance of Corporate Bonds of Loma de La Lata

Loma de la Lata approved by means of the Extraordinary Shareholders' Meeting held on June 24, 2008 and the Ordinary and Extraordinary Shareholders' Meeting held on July 24, 2008, the issuance of corporate bonds up to the amount of US\$ 200 million (the "Corporate Bonds"). Such Meetings also approved the admission of Loma de La Lata into the public offering system and the application to the CNV of the respective public offering authorization of Corporate Bonds, as well as delegating to the Board of Directors the determination of all their terms and conditions.

On September 8, 2008, Loma de Lata issued simple corporate bonds (the "Corporate Bonds") for a face value of US\$ 178,000,000 at 11.25%, maturing on 2015 and a subscription price of 93.34% implying a yield through maturity of 12.95%. The capital will be amortized in five semiannual consecutive payments, the first of which will be sixty months as from the issuance and calculation date. The first four amortization payments will be for an amount equivalent to 12.5% of capital, while the fifth and last amortization payment and full settlement will be made upon maturity for an amount equivalent to 50% of the issued capital. Interest will accrue on the outstanding capital as from the issuance and calculation date and until settling all the amounts owed under the Corporate Bonds at a fixed rate equivalent to a nominal 11.25% interest rate p.a. The interest rate will be comprised of (i) one fixed interest rate portion equivalent to a fixed nominal rate of 5% p.a. and (ii) an interest portion capitalizable at a nominal fixed 6.25% p.a. (the "Capitalizable Interest Portion").

Loma de La Lata is required to settle the amounts related to all interest, however it is stated that: (i) the Capitalizable Interest Portion related to interest payable on the first two Interest Payment Date (as defined in the Prospectus for the issuance of Corporate Bonds) will be automatically capitalizable, and (ii) provided no Event of Default occurred for failing to pay any amount owed under the Corporate Bonds or they were declared to due and payable either fully or partially, Loma de La Lata may choose, at its sole discretion, to defer paying interest exclusively as regards the Portion of Capitalizable Interest and capitalize accrued interest related to such portion payable on the following three Interest Payment Dates (the "Option to Capitalize"). The Option to Capitalize may be exercised by Loma de La Lata only on the third, fourth and/or fifth Interest Payment Date. The option to capitalize interest could only be exercised by Loma de la Lata in the first four semiannual interest payments.

Issued Corporate Bonds are guaranteed by the Company (controlling shareholder of Loma de la Lata) as direct and main obligor. Additionally, Corporate Bonds are guaranteed by a security agreement on Loma de Lata's shares and credit rights against such company and fiduciary assignment of: (a) rights to receive payments and/or claim damages arising from (i) sales of electricity (energy and/or power) resulting from the additional capacity arising from the extension project, (ii) agreements to supply natural gas, (iii) project agreements, and (iv) insurance agreements; and (b) funds deposited in security until the reception of provisional date of extension work.

NOTE 8. SEGMENT INFORMATION

The Company is engaged on the electricity sector, with a participation in the electricity generation, transmission and distribution segments through different legal entities. Operating segments are revenue-producing components of the enterprise for which separate financial information is produced internally for management. Accordingly, the following business segments have been identified by means of its subsidiaries and based on the nature, customers and risks involved:

Generation: Made up of the direct and indirect equity interest in Loma de la Lata, Hidroeléctrica Los Nihules, Hidroeléctrica Diamante, Powerco, Central Térmica Güemes, Central Piedra Buena and Ingentis and investments in shares in other companies related to the electricity generation sector.

Transmission: Made up of the indirect equity interest in Transener and its subsidiaries.

Distribution: Made up of the indirect equity interest in Edenor.

Holding: Made up of own operations, such as advisory services and financial investments, and investments in real estate and other companies not related to the electricity sector.

The Company manages its segments to the net income (loss) level of reporting.

Below is a table with the information for each segment identified by the Company as of and for the periods of nine months ended September 30, 2008 and 2007:

PAMPA ENERGIA S.A.
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(in Argentine Pesos (“Ps.”) – unless otherwise stated)

Consolidated Statement of income information at September 30, 2008

	Generation	Transmission	Distribution	Holding	Eliminations	Consolidated
Sales	1,384,283,310	165,985,884	1,395,351,000	2,484,436	-	2,948,104,630
Intersegment sales	5,285,862	-	-	22,468,361	(26,870,863)	883,360
Total sales	1,389,569,172	165,985,884	1,395,351,000	24,952,797	(26,870,863)	2,948,987,990
Cost of sales ⁽¹⁾	(1,118,980,533)	(88,959,954)	(898,016,300)	(3,105,424)	10,224,608	(2,098,837,603)
Subtotal ⁽¹⁾	270,588,639	77,025,930	497,334,700	21,847,373	(16,646,255)	850,150,387
Selling expenses ⁽¹⁾	(6,843,831)	-	(88,682,000)	(3,173,413)	-	(98,699,244)
Administrative expenses ⁽¹⁾	(35,292,713)	(17,363,214)	(99,107,000)	(31,937,821)	12,299,670	(171,401,078)
Subtotal ⁽¹⁾	228,452,095	59,662,716	309,545,700	(13,263,861)	(4,346,585)	580,050,065
Holding results of shares	-	-	-	(5,449,709)	-	(5,449,709)
Reserve for Director's options ⁽²⁾	-	-	-	(8,825,004)	-	(8,825,004)
Depreciation of fixed assets ⁽³⁾	(28,305,313)	(25,666,710)	(136,348,212)	(360,755)	-	(190,680,990)
Amortization of intangible assets	(14,120,633)	-	(3,758,884)	-	-	(17,879,517)
Amortization of other assets	-	(17,049,155)	-	-	-	(17,049,155)
Amortization of goodwill	(11,088,241)	530,800	(4,195,802)	(205,976)	-	(14,959,219)
Operating results	174,937,908	17,477,651	165,242,802	(28,105,305)	(4,346,585)	325,206,471
Financial and holding results						
Generated by assets	(19,754,895)	3,062,709	23,264,885	(7,840,305)	1,207,756	(59,850)
Generated by liabilities	(27,693,204)	(24,488,077)	(88,007,755)	(847,010)	-	(141,036,046)
Other income and expenses, net	451,105	8,378,001	(22,720,000)	(742,701)	3,138,829	(11,494,766)
Income before taxes and minority interest in subsidiaries	127,940,914	4,430,284	77,779,932	(37,535,321)	-	172,615,809
Income tax and tax on assets	(50,251,803)	(3,580,451)	(25,340,671)	4,004,126	-	(75,168,799)
Minority interest in subsidiaries	(27,835,987)	2,497,023	(22,592,000)	-	-	(47,930,964)
Net income (loss) for the period	49,853,124	3,346,856	29,847,261	(33,531,195)	-	49,516,046

PAMPA ENERGIA S.A.
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NOTE 8. SEGMENT INFORMATION (CONTINUED)

	<u>Generation</u>	<u>Transmission</u>	<u>Distribution</u>	<u>Holding</u>	<u>Eliminations</u>	<u>Consolidated</u>
⁽¹⁾ Net of depreciation and amortization						
⁽²⁾ Allocated to administrative expenses						
⁽³⁾ Charges to:						
Cost of sales	(41,952,011)	(40,182,249)	(137,274,096)	-	-	(219,408,356)
Selling expenses	(103,953)	-	(1,062,000)	-	-	(1,165,953)
Administrative expenses	(369,982)	(2,533,616)	(1,771,000)	(360,755)	-	(5,035,353)
Total Assets	2,785,902,215	1,021,936,544	4,892,199,259	740,218,279	(373,621,469)	9,066,634,828
Total Liabilities	1,546,391,434	549,790,713	2,589,563,714	(63,197,954)	(373,621,469)	4,248,926,438

PAMPA ENERGIA S.A.
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NOTE 8. SEGMENT INFORMATION (CONTINUED)

Consolidated Statement of income information at September 30, 2007

	Generation	Transmission	Distribution	Holding	Eliminations	Consolidated
Sales	527,050,161	186,958,330	-	1,563,641	-	715,572,132
Other Sales	-	-	-	4,315,406	(3,365,849)	949,557
Total sales	527,050,161	186,958,330	-	5,879,047	(3,365,849)	716,521,689
Cost of sales ⁽¹⁾	(390,400,235)	(100,563,012)	-	(1,003,529)	792,356	(491,174,420)
Subtotal ⁽¹⁾	136,649,926	86,395,318	-	4,875,518	(2,573,493)	225,347,269
Selling expenses ⁽¹⁾	(3,741,117)	-	-	(1,849,847)	772,048	(4,818,916)
Administrative expenses ⁽¹⁾	(14,275,385)	(16,083,937)	-	(10,138,343)	1,801,445	(38,696,220)
Subtotal	118,633,424	70,311,381	-	(7,112,672)	-	181,832,133
Holding results of shares	20,421,773	-	-	3,455,509	-	23,877,282
Reserve for Director's options ⁽²⁾	-	-	-	(8,825,003)	-	(8,825,003)
Depreciation of fixed assets ⁽³⁾	(15,030,718)	(22,453,880)	-	(26,425)	-	(37,511,023)
Amortization of intangible assets	(14,120,643)	149,280	-	-	-	(13,971,363)
Amortization of other assets	-	(17,049,155)	-	-	-	(17,049,155)
Amortization of goodwill	(2,624,622)	638,798	-	-	-	(1,985,824)
Operating results	107,279,214	31,596,424	-	(12,508,591)	-	126,367,047
Financial and holding results						
Generated by assets	17,893,710	6,230,726	-	61,599,928	-	85,724,364
Generated by liabilities	(16,037,899)	(39,600,729)	-	(291,682)	-	(55,930,310)
Other income and expenses, net	(2,801,958)	799,817	-	(2,029,717)	-	(4,031,858)
Income (loss) before taxes and minority interest in subsidiaries	106,333,067	(973,762)	-	46,769,938	-	152,129,243
Income tax and tax on assets	(11,483,119)	(2,348,517)	-	5,090,099	-	(8,741,537)
Minority interest in subsidiaries	(29,936,524)	3,212,154	-	-	-	(26,724,370)
Net income (loss) for the period	64,913,424	(110,125)	-	51,860,037	-	116,663,336

PAMPA ENERGIA S.A.
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(in Argentine Pesos (“Ps.”) – unless otherwise stated)

NOTE 8. SEGMENT INFORMATION (CONTINUED)

	<u>Generation</u>	<u>Transmission</u>	<u>Distribution</u>	<u>Holding</u>	<u>Eliminations</u>	<u>Consolidated</u>
⁽¹⁾ Net of depreciation and amortization						
⁽²⁾ Allocated to administrative expenses						
⁽³⁾ Charged to:						
Cost of sales	(28,707,673)	(37,162,193)	-	-	-	(65,869,866)
Selling expenses	(272,917)	-	-	-	-	(272,917)
Administrative expenses	(170,771)	(2,191,562)	-	(26,425)	-	(2,388,758)
Total Assets	2,060,619,844	1,023,050,498	4,715,919,496	633,869,271	(282,086,764)	8,151,372,345
Total Liabilities	863,035,557	832,940,094	3,460,155,420	109,627,486	(282,086,764)	4,983,671,793

PAMPA ENERGIA S.A.
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NOTE 9. OPPORTUNITIES ASSIGNMENT AGREEMENT - PURCHASE OPTIONS

As approved by the Shareholders' Meeting of September 16, 2006, on September 27, 2006 the Company signed an Opportunities Assignment Agreement, whereby certain executives were committed to provide the Company with potential business opportunities encompassed by the Company's investment guidelines, exceeding US\$ 5,000,000. In consideration, the Company granted to those executives purchase options for up to 20% of capital, to be exercised at the same price per ordinary share in US\$ that shareholders have subscribed at each capital increase, adjusted in accordance with the purchase option agreements.

The purchase options could be exercised in equal portions as from the expiration of the term of one, two or three years, respectively as from the date of issue, and they will maintain their validity for a period of fifteen years as from their date of issue. If the purchase options are not exercised, they will expire after the term for their validity. The number of options and the exercise price are to be adjusted in accordance with the purchase option agreements.

CNV, through Resolution No. 15,447 dated August 7, 2006, approved the issuance of the purchase options representing 20% of the Company's capital stock, conditioning that authorization to certain actions that were fulfilled on October 9, 2006.

At September 30, 2008, the Company issued 111,500,000 purchase options, granting the right to subscribe: (i) 111,500,000 shares at an exercise price of US\$ 0.37 per share, (ii) 150,000,000 shares at an exercise price of US\$ 0.72 per share, and (iii) 120,048,560 shares at an exercise price of US\$ 0.83 per share, representative of 20% of the Company's capital stock on fully diluted basis. Option are exercisable as from September 27, 2007, 2008 and 2009.

The Company had valued the options granted at Ps. 35.3 million. A compensation expense is recognized ratably over the effective term of the Opportunities Assignment Agreement (consistent with the vesting period), with a credit to an equity reserve. As of September 30, 2008, the equity reserve amounts to Ps. 23.5 million.

The Shareholders Meeting held on August 30, 2007 approved certain amendments to the Opportunities Assignment and Purchase Option agreements, which are in force as from September 28, 2007:

- The beneficiaries of the purchase options waive their right to subscribe whenever the Company's capital is increased an additional number of common stock which allows them at any time hold 20% of the capital stock of the Company, as established in the purchase option agreements;

- The executives' purchase options other than purchase options that may be exercised at the date of death, absence or permanent disability shall be automatically reassigned to the remaining beneficiaries in proportion to their respective participations in all the purchase options.

NOTE 10 RESTRICTED ASSETS, LIMITATION ON THE TRANSFERABILITY OF SHARES AND OBLIGATIONS ASSUMED

Inversora Nihuales

Pursuant to point 12.13 of Chapter XII of the Terms and Conditions for the sale of 51% of Hidroeléctrica Nihuales capital stock, Class B shares are of free availability and their transfer by public offering shall be mandatory once the Government of the Province of Mendoza has transferred its Class C shares to retail investors resident of the Province of Mendoza. The Government of the Province of Mendoza has not performed any transfer of the Class C shares to retail investors resident in the Province of Mendoza.

Furthermore, it is established that the concessionaire should take the necessary measures for the Company to list its securities on the Stock Exchange.

On March 9, 2006, the Provincial Executive Branch, through the Ministry of the Environment and Public Works, issued Decree No. 334, whereby it was agreed the sale of 37% of Hidroeléctrica Nihuales capital stock, represented by Class C shares, to institutional minority investors of the Province of Mendoza, by means of a procedure guaranteeing that none of the purchasers of this class of shares could hold more than 5% of the capital stock and none of the holders of Class A shares could hold any other classes of shares. The same decree authorized the Ministry of the Environment and Public Works and Finance to carry out the pertinent formalities to confirm the irrevocable sales mandate granted by the holder of Class B shares to the Provincial Government.

PAMPA ENERGIA S.A.
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NOTE 10 RESTRICTED ASSETS, LIMITATION ON THE TRANSFERABILITY OF SHARES AND OBLIGATIONS ASSUMED (CONTINUED)

Inversora Nihuales (Continued)

On September 7, 2006, the legislature of the Province of Mendoza ratified Decree No. 334 dated March 9, 2006.

On July 5, 2007, through Decree No. 1,651/07 the Executive Branch of the Province of Mendoza instructed the Ministries of the Environment and Public Works and Finance of the Province to call a Public Bid for Stock Broker Companies, Stock Markets and Financial Institutions specialized in operations for the implementation and sale of shares in capital markets in order for them to submit a proposal for assisting the Province of Mendoza in the process that will be necessary to carry out to sell the Class C and, as the case may be, the Class B shares in Hidroeléctrica Los Nihuales S.A., as established by Decree No. 334/06 and ratified by Law No. 7,541.

Transener and Transba

Restricted assets

The concession contract prohibits the concessionaire from placing a lien, mortgage or any other collateral in favor of third parties on assets destined to the rendering of the National High-Voltage Electricity Public Transmission Service in the case of Transener and the Provincial Electricity Public Transmission Service in the case of Transba, notwithstanding the free availability of those assets becoming unsuitable for that purpose in the future according to the ENRE criteria.

Limitation on the transferability of shares

Citelec may not modify its interest or sell its Class A shares in Transener without the prior authorization of the ENRE. Also, Transener may not modify or sell its interest in Transba without the prior authorization of that agency.

As set forth in the concession contract, Citelec with respect to Transener, and Transener with respect to Transba, have created a pledge in favor of the National State on all the Class A shares, as security for compliance with obligations assumed. The awardees Citelec and Transener shall increase the amount of the guarantee by creating a pledge on the Class A shares they purchase in the future as a result of new capital contributions made by them or the capitalization of profits and/or capital adjustment balances, and any successive transfers of the majority Class A shares shall be made with those pledges.

In addition, the corporate by-laws of those companies also forbids the creation of pledges or any other lien on those Class A shares, except in the cases mentioned in the concession contract.

Edenor

Limitation on the transferability of shares

In accordance with the corporate by-laws, the holders of Class A shares may transfer their shares with the prior approval of the ENRE, which will adopt a resolution within 90 days. Otherwise, the request will be deemed to have been approved.

Furthermore, Caja de Valores S.A., responsible for keeping a record of these shares, is entitled (as set forth in the corporate by-laws) to reject all such securities received as are not, at its discretion, in compliance with the regulations on transfers of ordinary shares included in (i) the Law on Commercial Companies, (ii) the concession contract and (iii) the corporate by-laws.

In turn, Class A shares shall be pledged over the life of the concession, as security for compliance with the obligations assumed under the concession contract.

In addition, the Company must be the beneficial owner of the Class 2 Corporate Bonds and, as stated in the register, of at least 51% of the voting and outstanding shares in Edenor.

Article ten of the Memorandum of Agreement executed with the Branch granting the Concession and ratified by Decree 1957/06 provides that from its effective date to the expiration of the Contractual Transition Period, the shareholders who own the Majority Shares may not modify their equity interests or sell their shares.

PAMPA ENERGIA S.A.

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NOTE 10 RESTRICTED ASSETS, LIMITATION ON THE TRANSFERABILITY OF SHARES AND OBLIGATIONS ASSUMED (CONTINUED)

Edenor (Continued)

Restrictions on the distribution of retained earnings

As from the restructuring of the financial debt, Edenor was not allowed to distribute dividends until April 24, 2008, or the Leverage Ratio is lower than 2.5. As from that moment, it may distribute dividends only in certain circumstances depending on its indebtedness ratio.

Loma de La Lata

Restricted assets

As of September 30, 2008 cash and banks and short-term and long-term investments balances include current bank accounts, time deposits, and Governments bonds for a total amount of US\$ 136.9 million which are restricted by virtue of certain guarantees given in favor of certain suppliers under the construction agreements in connection with the Project.

NOTE 11. COMMON STOCK

At September 30, 2008, the Company had 1,526,194,242 book-entry shares with a par value of Ps. 1 each and entitled to 1 vote per share.

On September 8, 2008, the Company's Board of Directors resolved to establish the terms and conditions to acquire shares issued by the Company for up to US\$ 30,000,000, for 120 running days, up to a maximum amount to be invested of 10% of the Company's common stock and at a price between Ps. 1.10 and Ps. 1.70 per share. The Company's Board of Directors considers that this transaction watches over the shareholders' best interests given the strong impact underwent by the listed price of local shares due to the international macroeconomic context, who by the repurchase will increase their interests in the Company's strategic assets. As of September 30, 2008, the Company has acquired 6,496,218 Class A shares with a face value of Ps. 1 per share, issued by the Company, at an acquisition cost of Ps. 8,656,445 disclosed as adjustment to retained earnings. The listed price of such shares as of the period-end amounted to Ps. 8,380,121.

After the period-end, the Company's Board of Directors approved the public offering to acquire Company's own shares, by amending the maximum amount to be invested and the methodology to purchase shares used until that time (see Note 16)

NOTE 12. RESTRICTIONS ON PROFIT DISTRIBUTIONS

Dividends

In accordance with Law No. 25,063, dividends distributed in cash or in kind, in excess of accumulated tax profits at the end of the year immediately before the date of payment or distribution, will be subject to a 35% income tax withholding in a single and final payment. The balance of accumulated accounting profits at December 31, 1997, less dividends paid plus tax profits calculated as from January 1, 1998 are considered accumulated tax profits for the purposes of this tax.

Legal Reserve

In accordance with the Argentine Commercial Companies Law, 5 % of the net profit for the year calculated in accordance with Argentine GAAP must be appropriated to a legal reserve until such reserve equals 20% of the Company's outstanding capital.

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NOTE 13. INCOME TAX

The breakdown of deferred tax assets and liabilities is as follows:

	<u>As of</u> <u>September 30, 2008</u>	<u>As of</u> <u>December 31, 2007</u>
Tax loss-carry forwards	100,758,350	215,912,144
Trade receivables	17,633,800	26,840,232
Material and spare parts	(648,032)	685,431
Inventories	(509,579)	-
Fixed and intangible assets	(579,167,503)	(589,513,245)
Other assets	(2,690,586)	(13,168,025)
Accounts payable	-	(30,328)
Financial debt	(50,825,506)	(30,239,386)
Other liabilities and provisions	86,207,453	55,466,031
Other	10,901,129	-
Subtotal	<u>(418,340,474)</u>	<u>(334,047,146)</u>
Valuation allowance of tax loss carry forwards	<u>(35,083,282)</u>	<u>(173,370,415)</u>
Net deferred income tax liability	<u><u>(453,423,756)</u></u>	<u><u>(507,417,561)</u></u>

Below is a reconciliation between income tax expense and the amount resulting from application of the tax rate on the income before taxes:

	<u>For the nine-month periods</u> <u>ended September 30,</u>	
	<u>2008</u>	<u>2007</u>
Income before taxes and minority interest	172,615,809	152,129,243
Current tax rate	35%	35%
Result for the six-month period at the tax rate	<u>(60,415,533)</u>	<u>(53,245,235)</u>
Permanent differences		
Goodwill amortization	(5,235,727)	(695,038)
Purchase options granted to Directors	(3,088,751)	(3,088,751)
Capital issuance costs	-	12,768,384
Non-taxable income (expense)	2,080,728	21,065,060
Other	(8,342,428)	8,835,013
Subtotal	<u>(75,001,711)</u>	<u>(14,360,567)</u>
Tax loss-carry forwards prescription	(50,533,545)	-
Change in valuation allowance of tax loss carry forwards	50,456,813	5,619,030
Total income tax expense	<u><u>(75,078,443)</u></u>	<u><u>(8,741,537)</u></u>

Income tax expense of Ps. 75,168,799 in the statement of income includes an tax on assets charge of Ps. 90,356.

NOTE 14. RELATED PARTIES

The following is a summary of the material transactions carried out with related parties during the reported periods:

Opportunities assignment agreement – Purchase options

On September 27, 2006 the Company signed an Opportunities Assignment Agreement, whereby certain executives were committed to provide the Company with potential business opportunities encompassed by the Company’s investment guidelines, exceeding US\$ 5,000,000. In consideration, the Company granted to those executives purchase options for up to 20% of capital, to be exercised at the same price per ordinary share in US\$ that shareholders have subscribed at each capital increase, adjusted in accordance with the purchase option agreements. See Note 9 for further details.

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NOTE 15. COMMITMENTS AND CONTINGENCIES

CTG tax dispute

Pursuant to Decree No. 571/00, the Argentine government decreed that companies in the process of privatization would be exempt from the asset tax. Accordingly, a resolution by the Argentine tax authority was issued in favor of CTG recognizing that it was entitled to such exemption. However, on May 9, 2005, the Argentine tax authority revoked such resolution claiming that CTG was no longer in the process of privatization. On June 9, 2005, as per CTG’s request, the relevant court in Argentina granted a suspension of the resolution revoking the exemption. Although the Argentine tax authority contested such suspension, the suspension of the revocation of CTG’s tax exemption was upheld on November 9, 2005. On July 31, 2007, the Argentine tax authority issued a new decision rejecting Güemes’s appeal and confirming the resolution of the revoking exemption. On August 22, 2007, CTG filed a judicial action challenging this tax resolution and requesting that the court suspend the resolution, thereby preventing the Argentine tax authority from carrying out any attachment or other executive measures until a final judgment has been entered. The Argentine tax authority has appealed such suspension and the litigation proceeding is still ongoing as of the date of this registration statement. In the event that this matter is resolved against CTG, CTG could be forced to pay the unpaid tax amounts claimed by the Argentine tax authority, plus accrued interest, penalties and other costs and expenses (including legal fees). As of December 31, 2007, the aggregate amount of taxes claimed by the Argentine government is Ps. 10.8 million, excluding interest and penalties, which could be up to Ps. 20 million. No provision has been recognized in this connection.

Transener legal proceedings

On August 8, 2003, the Argentine Federal Tax Bureau notified Transener of an income tax assessment based on various intercompany loans made between 1998 and 2000, which assessment alleged that such loans included interest rates below standards established under income tax law. Transener appealed the assessment to the Argentine National Tax Court. The claim amounted to Ps. 6.9 million, including principal, interest and penalties. No provision has been recognized for this contingency in the financial statements.

On May 17, 2007, a fire in the Ezeiza transformer station resulted in a disruption of the services provided by that station. The services were partially resumed shortly thereafter. In response to that disruption, the ENRE filed charges against Transener alleging certain violations of the quality standards applicable to the transmission services provided by Transener. In response to such charges, Transener has raised a force majeure event defense. Transener recognized a provision for contingencies of approximately Ps. 14.0 million to cover penalties that could derive from such charges. As of June 30, 2008, the service was totally restored.

Edenor tax claims

On December 1, 2003, the Provincial Board of Electric Power of the Province of Buenos Aires initiated a claim against Edenor in the amount of Ps. 51.2 million, which does not include surcharges, interest or penalties accrued in respect of this amount after the date of the claim. At December 31, 2003, the amount of surcharges and interest accrued on the claim, including applied penalties, was Ps. 310 million. In addition, on April 23, 2007, the Board notified Edenor of an additional claim for Ps. 4.0 million, without including surcharges, interest or penalties accrued. The claims are based on an alleged failure to collect, as collection agent, in respect of certain taxes established by Decree Nos. 7290/67 and 9038/78 between July 1997 and June 2001 and between July 2001 and June 2002, respectively. On December 23, 2003, Edenor filed an appeal of the Board’s decision with the provincial Tax Court of Appeals of La Plata, and enforcement of the judgment was suspended pending the outcome of the appeal. On June 14, 2007, the Court granted Edenor’s appeal and rejected the Board’s tax claim against Edenor. On June 27, 2007 the provincial Tax Court of Appeals of Buenos Aires rendered a favorable decision in relation to Edenor’s appeal. This decision reaffirms a recent decision by the Supreme Court of the Republic of Argentina in an unrelated case that held that the regulations were unconstitutional due to the commitment assumed by the Province of Buenos Aires to not tax the transfer of electric power. No provision has been recognized in this connection.

The Argentine federal tax authorities have challenged certain income tax deductions for allowance for doubtful accounts on Edenor’s income tax returns for fiscal years 1996, 1997 and 1998, and have assessed additional taxes of approximately Ps. 9.3 million. Tax related contingencies are subject to interest charges and, in some cases, fines. Edenor has appealed the tax authorities’ ruling before the Argentine federal tax court. During the appeal process payment for such claim is suspended. Edenor has established a provision for contingencies of Ps. 37.1 million, which includes principal and interest, in relation to this claim.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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NOTE 15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Edenor environmental claims

On May 24, 2005, three of Edenor's employees were indicted on charges of PCB-related environmental contamination dangerous to human health, which is a crime under Argentine law. In connection with this alleged infraction, the judge sought a pre-judgment attachment of Edenor's assets in the amount of Ps. 150 million to cover the potential cost of environmental damages and estimated clean-up costs. On May 30, 2005, Edenor appealed the charges against its employees as well as the attachment order. On December 15, 2005, the court of appeals dismissed the charges against all three defendants for lack of evidence and, accordingly, vacated the attachment order. The decision by the court of appeals also stated that the trial judge should order the acquittal of two public officers of the ENRE, who had been indicted on related charges. This decision was appealed to the National Criminal Appellate Court (Tribunal de Casación), the highest appellate body for this matter, which on April 5, 2006 ruled that the appeal of the decision relating to Edenor's employees and Edenor was not admissible because decisions rendered on grounds of lack of evidence are not reviewable. On July 16, 2007, Edenor was notified that on July 11, 2007, the trial judge issued acquittals for all of the Edenor's officials and employees that had been indicted. On appeal on March 25, 2008, the First Court of the Federal Circuit of San Martín (Sala I de la Cámara Federal de San Martín) upheld the acquittals and confirmed the finding that there had been insufficient evidence to prove any PCB contamination. This decision was appealed on April 18, 2008 by the Attorney General (Ministerio Público) before the First Court of the Federal Circuit of San Martín. Edenor has not established any provision for contingencies in its financial statements for this claim.

Proceedings challenging the renegotiation of Edenor's concession

In November 2006, two Argentine consumer associations, Asociación Civil por la Igualdad y la Justicia (ACIJ) and Consumidores Libres Cooperativa Limitada de Provisión de Servicios de Acción Comunitaria, brought an action against Edenor and the Argentine government before a federal administrative court seeking to block the ratification of the Adjustment Agreement on the grounds that the approval mechanism was unconstitutional. On March 26, 2007, the federal administrative court dismissed these claims and ruled in Edenor's favor on the grounds that the adoption of Executive Decree No. 1957/06, which ratified the Adjustment Agreement, rendered the action moot. ACIJ appealed this decision on April 12, 2007, and the appeal was decided in Edenor's favor. However, on April 14, 2008, ACIJ filed another complaint challenging the procedures utilized by the Argentine Congress in approving the Adjustment Agreement. Specifically, the claim alleges that Article 4 of Law No. 24,790, which authorized the Congress to tacitly approve agreements negotiated between the Argentine government and public service companies, such as Edenor, violated the congressional procedures established in the Argentine Constitution. ACIJ has requested that the Adjustment Agreement be renegotiated and submitted to Congress for its express approval. Edenor's response to this complaint is due on or before 2008. No provision has been accounted for in this connection as the possibility of loss is considered remote.

NOTE 16. SUBSEQUENT EVENTS

Agreement to transfer the equity interest in Inversora Ingentis S.A.

On October 2, 2008, the Company and its affiliate, Dilurey, executed a share purchase agreement by which they transfer and sell to Emgasud S.A. ("Emgasud") all their shares (the "Shares") in Inversora Ingentis for a price of US\$ 51,000,000 (the "Price"), with all the rights and obligations that holding such shares may imply, as well as the rights to receive shares from Inversora Ingentis, or any asset, money or right, resulting from capitalizing, converting or returning revocable or irrevocable contributions, loans or any type of capital contribution in cash or in kind, made by the Company or Dilurey (the "Purchase Agreement"). To secure compliance with its obligations, the parties have executed a trust and security deposit agreement (the "Trust Agreement") with Deutsche Bank S.A. (el "Trustee") transferring the trust property of all its shares in Inversora Ingentis. Likewise, Emgasud has transferred as a deposit to the Trustee a promissory note issued in favor of the Company for US\$ 3,000,000 (the "Promissory Note"). As provided in the Trust Agreement, on January 5, 2009, (the "Closing Date") the parties shall comply with their respective obligations under the Purchase Agreement, that is to say, on one hand, Emgasud shall pay the Price for the Shares to the Company and Dilurey, and on the other hand, the Company and Dilurey shall transfer the Shares in favor of Emgasud. Assuming that Emgasud did not comply with its obligations as of the Closing Date, the Trustee shall: (i) transfer and register Emgasud's shares in Inversora Ingentis in favor of the Company, (ii) transfer and register the Shares in favor of Pampa and Dilurey, and (iii) deliver the Promissory Note to the Company.

Based on the above, as of September 30, 2008, the Company has booked its investment and all its receivables from Inversora Ingentis under the caption "other current assets" at their respective book values, discontinuing the investment's proportional consolidation.

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NOTE 16. SUBSEQUENT EVENTS (CONTINUED)

Trust agreement

On September 30, 2008, the affiliate Edenor and Macro Bank Limited entered into an irrevocable and discretionary trust agreement. Through the establishment of the trust, Edenor assigns the management of certain liquid assets for an initial amount of up to US\$ 24 million, which are to be used in the future in accordance with the terms of the trust.

The term of duration of the aforementioned agreement is 20 years and the purpose of the trust is that the funds referred to above be only used for:

- a. the payment of dividends to shareholders;
- b. the repurchase and/or payment of corporate bonds, as well as the repayment of any other present loan; and
- c. the payment of principal and interest of the subsidiary’s debt.

The assignment of the aforementioned liquid assets for an amount of US\$ 23.9 million was carried out on October 2, 2008.

Repurchase of Corporate Bonds

From October 1, 2008 and through the issuance date of these financial statements, the Company and its subsidiaries partially repurchased in successive operations at market prices corporate bonds issued by different subsidiaries for a total amount of US\$ 39.7 million, representing a face value of US\$ 70.4 million.

Purchase of Edenor’s ADRs (American Depositary Receipts)

After the period-end and until the issuance of these financial statements, the Company acquired 1,025,893 Edenor’s ADR’s at a total acquisition cost of US\$ 3,363,914.

Purchase of Company’s own shares

As resolved by the Board of Directors, on September 8, 2008, as mentioned in Note 11, the Company acquired after September 30, 2008 and until approval of the public offering of shares mentioned in the following paragraph, 8,224,000 Class “A” shares with a face value of Ps. 1 issued by the Company, at an acquisition cost of Ps. 10,114,785.

On October 21, 2008, the Company’s Board of Directors established the terms and conditions of public offering of shares (OPA) to acquire its own shares for up to 70,000,000 shares of common stock of the Company to contribute to defend the shareholders’ best interests. Due to this OPA, the Company received offers for 133,895,787 shares; hence shares available for offering were awarded at an estimated prorating coefficient of 52.28%. All the acquisitions of the previously mentioned shares were made at a price of Ps. 0.95 per share, totaling an acquisition cost of Ps. 66,500,000.

Likewise, on October 23, 2008, the Company’s Board of Directors resolved to establish the terms and conditions to acquired own shares issued by the Company by means of transactions on the market for up to US\$ 20,000,000 and a maximum number of shares not exceeding 10% of the Company’s capital stock, as provided by current regulations. The price to be paid for the shares was established between a minimum Ps. 0.40 per share and a maximum Ps. 1.20 per share. Consequently, the Company has acquired from the approval of this resolution through November 7, 2008, a total of 11,784,644 Class “A” shares, with a face value of Ps. 1 issued by the Company at an acquisition cost of Ps. 9,178,992.

On November 7, 2008, the Company’s Board of Directors approved the terms and conditions of new public offering of shares (the “New Offer”) to acquire its own shares for up to 55,000,000 shares of common stock of the Company to contribute to defend the shareholders’ best interests. The price to be paid for these shares will be Ps. 0.80 per share. As of the issuance date of these financial statements, the New Offer is subject to the authorization of the respective enforcement agencies.

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NOTE 16. SUBSEQUENT EVENTS (CONTINUED)

Public Offer for the acquisition of Edenor’s own shares

On October 23, 2008, Edenor’s Board of Directors resolved to launch a public offer for the acquisition of the subsidiary’s own shares requesting its authorization from the CNV.

Likewise, on October 29, 2008, Edenor’s Board of Directors proceeded to amend the basic terms and conditions of such offer, establishing a maximum amount of up to Ps. 45,000,000, and a maximum number of shares of up to 65,000,000 Class B and/or C shares of common stock of such company with a nominal value of Ps. 1 per share and the right to one vote each, representing about 7,17% of its capital stock. The price to be paid for the shares will be determined by the subsidiary's Board of Directors at a range of Ps. 0.10 and Ps. 0.6923 per share and the offer term will be for five working days as from the date following that on which the offering was approved by the CNV.

On October 30, 2008, the CNV approved the previously mentioned public offering to acquire own shares. On such date, Edenor's Board of Directors established the purchase price of shares to be acquired under the offering framework at Ps. 0.65.

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NOTE 17. OTHER FINANCIAL STATEMENT INFORMATION

The following tables present additional financial statement disclosures:

- a. Fixed assets, net
- b. Short-term investments
- c. Intangible assets, net
- d. Goodwill, net
- e. Allowances and provisions
- f. Cost of sales
- g. Foreign currency assets and liabilities
- h. Other expenses

PAMPA ENERGIA S.A.
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(in Argentine Pesos (“Ps.”) – unless otherwise stated)

a. Fixed Assets, net

Account	Original values				Depreciation					09.30.08	12.31.07	
	At the beginning of the period	Increases	Disposals	Transfers	At the end of the period	At the beginning of the period	Amount for the period	%	Disposals	Accumulated at the end of the period	Net book value	Net book value
	Land	8,951,440	73,525	-	952,852	9,977,817	-	-	-	-	-	9,977,817
Properties	175,980,262	3,180	(163,000)	17,603,380	193,423,822	(5,092,317)	(5,577,855)	2-6.66%	-	(10,670,172)	182,753,650	170,887,945
High, Medium and Low voltage lines	1,716,570,063	-	(2,051,000)	96,822,000	1,811,341,063	(23,722,483)	(72,167,894)	3-4-5%	1,215,000	(94,675,377)	1,716,665,686	1,692,847,580
Substations	666,349,153	-	-	8,654,000	675,003,153	(7,405,089)	(22,309,391)	3-4%	-	(29,714,480)	645,288,673	658,944,064
Transformers chamber and platforms	356,006,433	-	-	36,843,000	392,849,433	(4,457,336)	(13,572,928)	3-4%	-	(18,030,264)	374,819,169	351,549,097
Meters	354,378,000	-	-	36,718,000	391,096,000	(6,174,000)	(18,691,000)	4-5%	-	(24,865,000)	366,231,000	348,204,000
High-voltage lines	352,089,398	55,078,707	-	19,685,490	426,853,595	(14,885,617)	(11,815,204)	2.7-3.3%	-	(26,700,821)	400,152,774	337,203,781
Electricity equipment	252,237,269	73,813	-	29,908,686	282,219,768	(10,075,505)	(9,321,067)	5-20%	-	(19,396,572)	262,823,196	242,161,764
Aerial and semi-heavy equipment	8,818,720	1,005,517	-	40,546	9,864,783	(1,638,157)	(282,788)	3-4%	-	(1,920,945)	7,943,838	7,180,563
Laboratory and maintenance	3,143,057	435,379	-	6,994	3,585,430	(1,081,801)	(170,139)	4-5%	-	(1,251,940)	2,333,490	2,061,256
Generation equipment and machinery	326,057,189	47,113,674	-	115,915,509	489,086,372	(17,687,621)	(21,665,685)	3-4%	-	(39,353,306)	449,733,066	308,369,568
Vehicles	11,871,512	4,248,457	(2,053,495)	-	14,066,474	(2,160,254)	(2,243,865)	20-50%	1,796,358	(2,607,761)	11,458,713	9,711,258
Furniture and fixtures	18,464,318	7,045,141	(299,972)	-	25,209,487	(3,708,012)	(6,168,180)	12-20%	21,434	(9,854,758)	15,354,729	14,756,306
Computer and software equipment	61,418,616	122,711	-	423,748	61,965,075	(3,605,827)	(4,656,709)	20%	-	(8,262,536)	53,702,539	57,812,789
Spare Parts	42,739,105	4,668,500	(563,354)	(316,733)	46,527,518	-	-	-	-	-	46,527,518	42,739,105
Tools and machines	8,190,897	964,485	(698,901)	85,664	8,542,145	(2,158,120)	(1,735,596)	10-33%	24,563	(3,869,153)	4,672,992	6,032,777
Works in progress	510,823,562	261,943,658	-	(302,827,279)	469,939,941	-	-	-	-	-	469,939,941	510,823,562
Work and compulsory work performed	7,533,912	-	-	-	7,533,912	(692,270)	(320,700)	4.5%	-	(1,012,970)	6,520,942	6,841,642
Advances to suppliers	384,341,799	145,318,591	(218,446,709)	(60,515,857)	250,697,824	-	-	-	-	-	250,697,824	384,341,799
Total as of 09.30.08	5,265,964,705	528,095,338	(224,276,431)	-	5,569,783,612	(104,544,409)	(190,699,001)		3,057,355	(292,186,055)	5,277,597,557	
Total as of 12.31.07	784,415,375	4,526,446,943	(44,897,613)	-	5,265,964,705	(8,117,010)	(98,905,534)		2,478,135	(104,544,409)		5,161,420,296

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b. Short-term investments

	<u>As of</u> <u>September 30, 2008</u>	<u>As of</u> <u>December 31, 2007</u>
Time deposits and other securities	419,773,877	162,193,010
Government securities	170,203,523	149,767,532
Private securities	66,910,796	211,770,247
Mutual funds	63,360,311	41,237,696
Shares in other companies	43,731,851	39,011,702
Trusts	14,421,091	-
Other short-term investments	8,134,475	31,615,307
Total	<u>786,535,924</u>	<u>635,595,494</u>

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c. Intangible assets, net

Main Account	Original values				Accumulated depreciation				Net book value as of 09.30.08	Net book value as of 12.31.07
	At the begining of the period	Increases	Disposals	Transfers	At the end of the period	At the begining of the period	Amount for the period	At the end of the period		
Concession contract	335,368,056	-	-	-	335,368,056	(23,534,405)	(14,120,633)	(37,655,038)	297,713,018	311,833,651
Organization expenses	3,229,487	-	(3,229,487)	-	-	-	-	-	-	3,229,487
Trademarks and patents	5,000	-	-	-	5,000	-	-	-	5,000	5,000
Intangibles identifiable in distribution	24,508,397	-	-	-	24,508,397	(1,252,961)	(3,758,884)	(5,011,845)	19,496,552	23,280,495
Total as of 09.30.08	363,110,940	-	(3,229,487)	-	359,881,453	(24,787,366)	(17,879,517)	(42,666,883)	317,214,570	
Total as of 12.31.07	335,368,057	27,742,883	-	-	363,110,940	(4,706,881)	(20,055,426)	(24,762,307)		338,348,633

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d. Goodwill, net

Main account	Original values	Accumulated amortization	Net book value as of 09.30.08	Net book value as of 12.31.07
Transec ⁽¹⁾	(17,369,690)	1,825,650	(15,544,040)	(16,144,453)
Inversora Nihuiles ⁽²⁾	(745,689)	85,285	(660,404)	(692,381)
Inversora Diamante ⁽²⁾	10,859,826	(1,215,080)	9,644,746	10,100,393
Dilurey ⁽³⁾	4,732,712	(480,608)	4,252,104	4,458,080
Powerco ⁽³⁾	906,787	(92,084)	814,703	854,167
CIESA ⁽⁴⁾	183,380,415	(16,613,952)	166,766,463	177,502,838
DESA ⁽⁵⁾	444,667,068	(5,357,435)	439,309,633	443,327,709
IEASA ⁽⁵⁾	22,784,530	(274,513)	22,510,017	22,715,902
HIDISA	139,289	(6,284)	133,005	-
Total as of 09.30.08	<u>649,355,248</u>	<u>(22,129,021)</u>	<u>627,226,227</u>	
Total as of 12.31.07	<u>649,215,959</u>	<u>(7,093,704)</u>		<u>642,122,255</u>

(1) Useful life has been estimated at 21 years based on the average weighted remaining useful life of the subsidiaries’ assets subject to depreciation.

(2) Useful lives have been estimated at 17 years based on the remaining term of the concession contracts of Hidroeléctrica Los Nihuiles and Hidroeléctrica Diamante, subsidiaries of Inversora Nihuiles and Inversora Diamante, respectively.

(3) Useful life has been estimated at 17 years based on the average weighted remaining useful life of the assets subject to depreciation of CTG, subsidiary of Dilurey and Powerco at acquisition date.

(4) Useful life has been estimated at 13 years based on the average weighted remaining useful life of the assets subject to depreciation of Central Piedra Buena, CIESA’s subsidiary.

(5) Useful life has been estimated at 83 years based on the remaining useful life of Edenor concession contract.

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e. Allowances and provisions

	09.30.08			
	Balances at the beginning of the period	Increases	Decreases	Balances at the end of the period
Deducted from assets				
<i>Current</i>				
Allowance for doubtful accounts	46,070,814	19,909,136	(28,666,321)	37,313,629
Allowance for other receivables	3,050,000	1,903,770	-	4,953,770
Allowances for impairment of asset items net of deferred tax	173,046,095	76,416	(138,039,229)	35,083,282
Subtotal	222,166,909	21,889,322	(166,705,550)	77,350,681
<i>Non-current</i>				
Allowance for impairment of other assets available for sale	-	31,390,812	(31,390,812)	-
Total allowances deducted from assets	222,166,909	53,280,134	(198,096,362)	77,350,681
Included in Liabilities				
<i>Current</i>				
Provision for contingencies	88,296,293	15,352,308	(5,336,750)	98,311,851
Total provision included in liabilities	88,296,293	15,352,308	(5,336,750)	98,311,851
Total as of 09.30.08	310,463,202	68,632,442	(203,433,112)	175,662,532

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f. Cost of sales

	For the nine-month periods	
	ended September 30,	
	2008	2007
Inventory at the beginning of the period	41,905,190	12,339,010
Purchase of fuel and energy	1,167,943,099	77,746,158
Expenses for generation, transmission and distribution	1,122,735,230	478,294,599
Holding gain on inventory	3,763,213	-
Inventory at the end of the period	<u>(18,100,773)</u>	<u>(11,335,481)</u>
Cost of sales	<u><u>2,318,245,959</u></u>	<u><u>557,044,286</u></u>

g. Foreign currency assets and liabilities

09.30.08				
	Foreign currency class and amounts		Exchange rate	Amount in Thousands of \$
Assets				
Current assets				
Cash and banks	US\$	14,051,360	3.095	43,488,960
	EUR	35,508	4.355	154,637
	R\$	917,333	1.617	1,483,144
	US	250,860	0.144	36,174
Investments	US\$	169,908,403	3.095	525,866,506
	R\$	9,782	1.617	15,815
Trade receivables	US\$	2,146,774	3.095	6,644,265
	R\$	2,480,304	1.617	4,010,156
Other receivables	US\$	10,600,206	3.095	32,807,638
	R\$	288,254	1.617	466,049
	US	336,775	0.144	48,563
Total current assets				\$ 615,021,907
Non-current assets				
Trade receivables	US\$	59,208	3.095	183,249
Other receivables	US\$	10,814,697	3.095	33,471,488
	R\$	390,106	1.617	630,724
Materials and spare parts	US\$	305,096	3.095	944,273
Other investments	US\$	82,922,696	3.095	256,645,744
Fixed assets	US\$	158,776	3.095	491,412
	EUR	9,105,813	4.355	39,655,817
Total non-current assets				\$ 332,022,707
Total assets				\$ 947,044,614

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g. Foreign currency assets and liabilities (continued)

09.30.08				
	Foreign currency class and amounts		Exchange rate	Amount in Thousands of \$
Liabilities				
Current liabilities				
Accounts payable	US\$	9,101,290	3.135	28,527,992
	EUR	253,690	4.411	1,119,000
	R\$	110,959	1.617	179,398
Financial debt	US\$	19,133,655	3.135	59,984,009
	EUR	927,143	4.411	4,090,000
	R\$	27,715	1.617	44,809
Salaries and social security payable	US\$	803	3.135	2,516
	R\$	316,652	1.617	511,963
	U\$	225,069	0.144	32,455
Taxes payable	R\$	121,118	1.617	195,823
Other liabilities	US\$	411,141	3.135	1,288,764
	R\$	721,718	1.617	1,166,874
	U\$	263,239	0.144	37,959
Total current liabilities				\$ 97,181,562
Non-current liabilities				
Accounts payable	US\$	32,346	3.135	101,405
Financial debt	US\$	731,218,203	3.135	2,292,369,067
Other liabilities	US\$	5,188,686	3.135	16,266,531
Allowances	US\$	76,017	3.135	238,314
Total non-current liabilities				\$ 2,308,975,317
Total liabilities				\$ 2,406,156,879

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h. Other expenses

	Administration	Selling	Generation/ Transmission/ Distribution	For the nine-month periods ended September 30,	
				2008	2007
Salaries and social security	61,447,420	26,231,050	203,659,428	291,337,898	67,529,218
Fees and compensation for services	29,868,159	32,678,114	89,389,766	151,936,039	16,552,871
Directors and Sindyces' fees	10,060,921	-	-	10,060,921	4,099,644
Reserve for Directors' options	8,825,004	-	-	8,825,004	8,825,003
Depreciation of fixed assets	5,035,353	1,165,953	184,479,684	190,680,990	37,511,023
Amortization of intangible assets	-	-	17,879,517	17,879,517	13,971,363
Amortization of other assets	-	-	17,049,155	17,049,155	17,049,155
Royalties and fees	-	-	15,820,532	15,820,532	17,353,467
Doubtful accounts	-	11,451,000	203,136	11,654,136	-
Maintenance	2,830,260	1,084,522	20,356,087	24,270,869	10,815,306
Transport and per diem	2,820,389	47,638	4,330,397	7,198,424	5,049,298
Rental and insurance	9,106,660	483,042	8,638,976	18,228,678	8,531,661
Surveillance and security	1,094,362	93,000	5,015,350	6,202,712	1,520,892
Contingencies and allowances	850,000	-	-	850,000	125,361
Fuel consumption	98,018	-	492,827,033	492,925,051	264,388,214
Material and spare parts consumption	1,153,000	721,000	46,480,117	48,354,117	31,060,176
Taxes, rates and contributions	28,513,265	13,214,911	4,907,695	46,635,871	9,165,323
Communication	2,830,654	6,077,940	2,757,109	11,665,703	2,490,193
Advertising and promotion	13,513,542	277,446	-	13,790,988	875,427
Office expenses	1,834,663	466	199,292	2,034,421	1,108,225
Other expenses	5,379,765	6,339,115	8,741,956	20,460,836	15,274,593
Total at September 30, 2008	185,261,435	99,865,197	1,122,735,230	1,407,861,862	
Total at September 30, 2007	49,909,981	5,091,833	478,294,599		533,296,413

Summary of activities as of September 30, 2008

- 1. Brief summary of activities carried out by the Company during the period, including references to subsequent events to the end of the period.**

a) Purchase and sale options of Transelec shares

On September 15, 2006, the Company acquired 89.76% of Transelec, a holding company which holds 50% of the shares of Citelec, from Dolphin Opportunity LLC, a related party, for a total consideration of US\$ 48.5 million. On the same date, a merger commitment and a written put and a call option agreement was signed with Marcelo Mindlin, Damian Mindlin and Gustavo Mariani, Transelec minority shareholders, comprising the remaining 10.24% interest.

Citelec is the controlling company of 52.65% of Transener. Transener is the leading company in extra-high voltage electricity transmission utility services in Argentina and owns the extra high voltage electricity transmission national network, consisting of almost 9,300 kilometers of transmission lines plus approximately 5,500 kilometers of lines of its subsidiary network, Transba; therefore it operates 95% of the high-voltage lines in Argentina.

On January 2, 2008 the minority shareholders of Transelec decided to exercise the option to sell 7,807,262 ordinary shares in Transelec under the terms provided for in the agreement for the merger and granting of put and call options, respectively.

On January 23, 2008, the Company settled its obligation with the minority shareholders of Transelec and paid the amount of Ps. 38,762,432.

b) Payment of the Employee Stock Ownership Plan of Hidroeléctrica Diamante

On October 5, 2007 the Ministry of Economy, in its capacity as secured creditor, approved the early payment of the balance for the purchase-sale of Class C shares owed by the employees subject to the Employee Stock Ownership Program of Hidroeléctrica Diamante, who are included in the records of Banco Nación Argentina at December 31, 2006.

On January 9, 2008 the transaction was completed, and the Company paid Ps. 3,364,479. Consequently, the indirect participation of the Company in the shares and votes of Hidroeléctrica Diamante rised to 56%, approximately.

Subsequent events

See Note 16 to the consolidated financial statements.

Summary of activities as of September 30, 2008 (Continued)

2. Summarized consolidated balance sheet figures, compared with the same period of the four preceding fiscal years.

	09.30.08	09.30.07	09.30.06	09.30.05	09.30.04
	Ps.	Ps.	Ps.	Ps.	Ps. (1)
Current assets	1,895,482,630	1,764,149,440	333,929,148	178,728	201,807
Non-current assets	7,171,152,198	6,387,222,905	1,028,168,392	2,996,618	3,369,718
Total assets	9,066,634,828	8,151,372,345	1,362,097,540	3,175,346	3,571,525
Current liabilities	1,031,594,045	799,340,351	90,046,275	3,703,675	3,434,900
Non-current liabilities	3,217,332,393	2,696,291,581	471,530,383	-	-
Total liabilities	4,248,926,438	3,495,631,932	561,576,658	3,703,675	3,434,900
Minority interest	1,545,886,102	1,488,039,861	311,434,436	-	-
Shareholders' equity	3,271,822,288	3,167,700,552	489,086,446	(528,329)	136,625
Total	9,066,634,828	8,151,372,345	1,362,097,540	3,175,346	3,571,525

3. Summarized consolidated statement of income figures, compared with the same period of the preceding year and fiscal years ended September 30, 2006, 2005 and 2004.

	09.30.08	09.30.07	09.30.06	09.30.05	09.30.04
	Ps.	Ps.	Ps.	Ps.	Ps. (1)
Operating income	325,206,471	116,288,310	(2,865,266)	143,218	(146,603)
Financial and holding results, net	(141,095,896)	39,872,791	1,714,209	(150,983)	(17,790)
Other expense, net	(11,494,766)	(4,031,858)	-	-	-
Subtotal	172,615,809	152,129,243	(1,151,057)	(7,765)	(164,393)
Income tax and tax on assets	(75,168,799)	(8,741,537)	535,588	(18,000)	(14,949)
Minority interest in subsidiaries	(47,930,964)	(26,724,370)	-	-	-
Net income (loss) for the period/year	49,516,046	116,663,336	(615,469)	(25,765)	(179,342)

(1) Balances arising from financial statements originally issued. They do not include the effects of the prior year adjustment accounted for on September 30, 2006 arising from the reversal of the warehouse impairment, the computation of depreciation charges, and the recognition of the ABL debt.

4. Consolidated statistics compared with the same period of the preceding year and fiscal years ended September 30, 2006, 2005 and 2004.

	09.30.08	09.30.07	09.30.06	09.30.05	09.30.04
	Ps.	Ps.	Ps.	Ps.	Ps.
Estancia Benquerencia (Lots)	-	95	101	-	-

Summary of activities as of September 30, 2008 (Continued)

5. Consolidated ratios compared with the same period of the preceding year and the fiscal years ended September 30, 2006, 2005 and 2004.

	09.30.08	09.30.07	09.30.06	09.30.05	09.30.04
	Ps.	Ps.	Ps.	Ps.	Ps.
Liquidity					
Current assets	1,895,482,630	1,764,149,440	333,929,148	178,728	201,807
Current liabilities	1,031,594,045	799,340,351	90,046,275	3,703,675	3,434,900
Ratio	1.84	2.21	3.71	0.05	0.06
Creditworthiness					
Shareholders' equity	3,271,822,288	3,167,700,552	489,086,446	(528,329)	136,625
Total liabilities	4,248,926,438	3,495,631,932	561,576,658	3,703,675	3,434,900
Ratio	0.77	0.91	0.87	(0.14)	0.04
Capital immobilization					
Non-current assets	7,171,152,198	6,387,222,905	1,028,168,392	2,996,618	3,369,718
Total assets	9,066,634,828	8,151,372,345	1,362,097,540	3,175,346	3,571,525
Ratio	0.79	0.78	0.75	0.94	0.94
Profitability					
Net income (loss) for the period/year	49,516,046	116,663,336	(615,469)	(25,765)	(179,342)
Average Shareholders' equity	3,246,979,986	1,833,850,759	316,894,181	(119,832)	226,296
Ratio	0.015	0.064	(0.002)	0.215	(0.793)

6. Brief commentary on the outlook for the coming period

See comments in Point 1.